

TATA SPONGE



TATA SPONGE IRON LIMITED

Tata Sponge Iron Limited was incorporated on July 31, 1982, as a public limited company, under the provisions of the Companies Act, 1956, registered with the Registrar of Companies, Odisha at Cuttack. For details regarding change in the name of our Company, please refer to the section titled 'General Information' beginning on page 45.

Registered and Corporate Office: P.O. Joda, District Keonjhar, Odisha - 758 034; **Tel:** +91 67 6727 8122
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Corporate Identity Number: L27102OR1982PLC001091

PROMOTER OF OUR COMPANY: TATA STEEL LIMITED			
FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF TATA SPONGE IRON LIMITED (OUR "COMPANY" OR THE "ISSUER") ONLY			
<p>ISSUE OF UP TO (●) EQUITY SHARES OF FACE VALUE OF Rs. 10 EACH ("RIGHTS EQUITY SHARES") NOT EXCEEDING Rs. (●) LAKHS TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY FOR CASH AT A PRICE OF Rs. (●) PER RIGHTS EQUITY SHARE (INCLUDING A PREMIUM OF Rs. (●) PER RIGHTS EQUITY SHARE) IN THE RATIO OF (●) RIGHTS EQUITY SHARES FOR EVERY (●) EQUITY SHARE HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS, ON (●) ("RECORD DATE") (THE "ISSUE"). FOR FURTHER DETAILS, PLEASE REFER TO THE SECTION TITLED "TERMS OF THE ISSUE" BEGINNING ON PAGE 236.</p>			
GENERAL RISKS			
<p>Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in relation to this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of this Letter of Offer. Specific attention of investors is invited to the statement of "Risk Factors" beginning on page 15 before making an investment in this Issue.</p>			
ISSUER'S ABSOLUTE RESPONSIBILITY			
<p>Our Company, having made all reasonable inquiries, accepts responsibility for, and confirms that this Letter of Offer contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.</p>			
LISTING			
<p>The Equity Shares of our Company are listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE", and together with BSE, the "Stock Exchanges"). Our Company has received "in-principle" approvals from BSE and NSE for listing the Rights Equity Shares to be Allotted pursuant to the Issue through their letters dated (●) and (●), respectively. For the purposes of the Issue, the Designated Stock Exchange is BSE.</p>			
LEAD MANAGERS TO THE ISSUE		REGISTRAR TO THE ISSUE	
<p>Centrum Capital Limited Centrum House C.S.T. Road, Vidyanagari Marg Kalina, Santacruz (East) Mumbai - 400 098 Tel: +91 22 4215 9000 Fax: +91 22 4215 9444 E-mail: tsil.rights@centrum.co.in Investor Grievance Email: igmdb@centrum.co.in Website: www.centrum.co.in Contact Person: Sugandha Kaushik SEBI Registration Number: INM000010445</p>	<p>Axis Capital Limited 1st floor, Axis House C 2 Wadia International Centre Pandurang Budhkar Marg, Worli Mumbai 400 025 Tel: +91 22 4325 2183 Fax: +91 22 4325 3000 E-mail: tatasponge.rights@axiscap.in Investor Grievance E-mail: complaints@axiscap.in Website: www.axiscapital.co.in Contact Person: Sagar Jatakiya SEBI Registration Number: INM000012029</p>	<p>SBI Capital Markets Limited 202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005. Tel: +91 22 2217 8300 Fax: +91 22 2217 8332 E-mail: tatasponge.rights@sbicaps.com Investor grievance E-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact person: Aditya Deshpande / Karan Savardekar SEBI Registration Number: INM000003531</p>	<p>Link Intime India Private Limited C-101, 1st Floor, 247 Park, Lal Bahadur Shastri Marg, Vikhroli (West) Mumbai 400 083 Tel: +91 22 4918 6200 Fax: +91 22 4918 6195 E-mail: tatasponge.rights@linkintime.co.in Investor Grievance Email: tatasponge.rights@linkintime.co.in Website: www.linkintime.co.in Contact Person: Sumeet Deshpande SEBI Registration Number: INR000004058</p>
ISSUE SCHEDULE			
ISSUE OPENS ON		(●)	
LAST DATE FOR RECEIVING REQUEST FOR SPLIT APPLICATION FORMS		(●)	
ISSUE CLOSES ON		(●)	

The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Rights Entitlements and Rights Equity Shares are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S.

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

This Letter of Offer uses certain definitions and abbreviations which, unless the context otherwise indicates or implies or unless otherwise specified, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act, regulation, rules, guidelines or policies as amended, supplemented or re-enacted, from time to time, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

The words and expressions used in this Letter of Offer, but not defined herein shall have the meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act, and the respective rules and regulations made thereunder.

Unless the context otherwise requires, references in this Letter of Offer to “Company” are to Tata Sponge Iron Limited, on a standalone basis, to “we” or “us” or “our” are to Tata Sponge Iron Limited, on a consolidated basis, to “Tata Steel Group” are to Tata Steel Limited, on a consolidated basis and to “Tata Group” are to the Tata group of companies.

Company Related Terms

Term	Description
Acquisition	Acquisition of the Steel Business Undertaking by our Company in terms of the BTA, the Novation Agreement and the Supplemental Agreement. Our Company has completed the acquisition of the Steel Business Undertaking including the captive power plants on April 9, 2019, pursuant to a cash consideration (after adjustment for negative working capital and debt like items) payable to UML of Rs. 4,09,406.83 lakhs, which is subject to further hold backs of Rs. 64,000 lakhs, pending transfer of some of the assets from UML. Our Company has subsequently completed the registration of the transfer deed among UML, the Company and the Governor of Jharkhand, in relation to the transfer of the operative iron ore mine in favour of the Company. However, the transportation of the iron ore extracted from the mine to our plant will take some time pending grant of permissions from the concerned authorities.
Articles of Association / Articles / AoA	Articles of Association of our Company, as amended
Board of Directors / Board	Board of directors of our Company or a duly constituted committee thereof
Business Transfer Agreement / BTA	Business Transfer Agreement dated September 22, 2018, between UML and Tata Steel
Director(s)	Any or all the director(s) of our Company, as may be appointed from time to time
Equity Shares	Equity shares of our Company having a face value of Rs. 10 each
Financial Statements	The audited consolidated Ind AS financial statements of the Company together with its Subsidiary, comprising the consolidated balance sheet as at March 31, 2019, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows for the year then ended and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.
IPICOL	Industrial Promotion & Investment Corporation of Odisha Limited
Memorandum of Association / Memorandum / MoA	Memorandum of Association of our Company, as amended
Novation Agreement	Novation Agreement dated October 24, 2018, between UML, Tata Steel and our Company
Promoter / Tata Steel	Tata Steel Limited
Promoter Group	Promoter group of our Company as determined in terms of Regulation 2(1)(pp) of SEBI ICDR Regulations
Registered and Corporate Office	Registered and Corporate office of our Company situated at P.O. Joda, District Keonjhar, Odisha – 758 034

Term	Description
Registrar of Companies	Registrar of Companies, Odisha at Cuttack
Special Purpose Carve-Out Financial Statements	The financial statements of the Steel Business Undertaking, being the erstwhile steel business of UML and plant and machinery of the bright bar business, comprising the carve-out balance sheet as at March 31, 2019, the carve-out statement of profit and loss including the statement of other comprehensive income, the carve-out statement of cash flows for the year then ended and the carve-out statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.
Statutory Auditors	Statutory auditors of our Company, being Price Waterhouse & Co Chartered Accountants LLP
Steel Business Undertaking	UML's steel business and plant and machinery of the bright bar business which includes the assets such as the plants, machinery, mines and the rights and obligations under certain contracts.
Subsidiary	TSIL Energy Limited
Supplemental Agreement	Supplemental Agreement dated April 7, 2019, between UML and our Company
UML	Usha Martin Limited

Issue Related Terms

Term	Description
Abridged Letter of Offer / ALOF	Abridged letter of offer to be sent to the Eligible Equity Shareholders with respect to the Issue in accordance with the provisions of SEBI ICDR Regulations and Companies Act
Allot / Allotment / Allotted	Allotment of Rights Equity Shares pursuant to the Issue
Allotment Date	Date on which the Allotment will be made
Allottee(s)	Person(s) who are Allotted Rights Equity Shares pursuant to the Allotment
Applicant(s) / Investor(s)	Eligible Equity Shareholder(s) and / or Renouncee(s) who make an application for the Rights Equity Shares pursuant to the Issue in terms of this Letter of Offer, including an ASBA Applicant
Application	Application made by the Applicant whether submitted by way of CAF or SAF or in the form of a plain-paper Application, to subscribe to the Rights Equity Shares issued pursuant to the Issue at the Issue Price including applications by way of the ASBA process
Application Money	Aggregate amount payable in respect of the Rights Equity Shares applied for in the Issue at the Issue Price
Application Form	Form in terms of which an Applicant shall make an Application to subscribe to the Rights Equity Shares pursuant to the Issue, including plain-paper applications
Application Supported by Blocked Amount / ASBA	Application (whether physical or electronic) used by an ASBA Investor to make an application authorizing the SCSB to block the Application Money in an ASBA account maintained with the SCSB
ASBA Account	Account maintained with the SCSB and specified in the CAF or the plain paper application by the Applicant for blocking the amount mentioned in the CAF or the plain paper application
ASBA Applicant / ASBA Investor	Eligible Equity Shareholders proposing to subscribe to the Issue through ASBA process and who (i) are holding the Rights Equity Shares of our Company in dematerialized form as on the Record Date and have applied for their Rights Entitlements and / or additional Rights Equity Shares in dematerialized form in terms of this Letter of Offer; (ii) have not renounced their Rights Entitlements in full or in part; (iii) are not Renouncees; and (iv) are applying through blocking of funds in a bank account maintained with the SCSBs. All Investors other than Retail Individual Investors who are complying with the above conditions must mandatorily participate in this Issue through the ASBA process.
Bankers to the Issue / Escrow Collection Banks	Axis Bank Limited, HDFC Bank Limited and ICICI Bank Limited

Term	Description
Basis of Allotment	The basis on which the Rights Equity Shares will be Allotted to successful applicants in the Issue and which is described in “ <i>Terms of the Issue – Basis of Allotment</i> ” beginning on page 268.
Composite Application Form / CAF(s)	Form used by an Investor to make an Application for Allotment of Rights Equity Shares in the Issue, or renounce his Rights Entitlement or request for SAFs, and used by Renouncee(s) to make an Application for Allotment of Rights Equity Shares in the Issue to the extent of renunciation of Rights Entitlement in their favour
Controlling Branches / Controlling Branches of the SCSBs	Such branches of the SCSBs which co-ordinate with the Lead Managers, the Registrar to the Issue and the Stock Exchanges, a list of which is available on https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Designated Branches	Such branches of the SCSBs which shall collect the CAF or the plain paper application, as the case may be, used by the ASBA Investors and a list of which is available on https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Designated Stock Exchange	BSE
Eligible Equity Shareholders	Holder(s) of the Equity Shares of our Company as on the Record Date
Issue	Issue of (●) Rights Equity Shares of face value of Rs. 10 each of the Company for cash at a price of Rs. (●) per Rights Equity Share (including a premium of Rs. (●) per Rights Equity Share) not exceeding an amount of Rs. (●) by the Company to the Eligible Equity Shareholders in the ratio of (●) Rights Equity Shares for every (●) Equity Shares held on the Record Date, i.e. (●).
Issue Closing Date	(●)
Issue Opening Date	(●)
Issue Period	Period from and including the Issue Opening Date to and including the Issue Closing Date
Issue Price	Rs. (●) per Rights Equity Share
Issue Size	Monies received by our Company pursuant to the Rights Equity Shares which are allotted pursuant to the Issue, i.e. amount aggregating up to Rs. (●)
Lead Managers	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited
Letter of Offer	This letter of offer dated (●) filed with the Stock Exchanges and SEBI
Listing Agreement	Equity listing agreements entered into between our Company and the Stock Exchanges in terms of the SEBI Listing Regulations
Monitoring Agency	Axis Bank Limited
Net Proceeds	Gross proceeds of the Issue less Issue related expenses. For details, please refer to the section titled “ <i>Objects of the Issue</i> ” beginning on page 61
Non-ASBA Investor	Investors other than ASBA Investors, who apply in the Issue otherwise than through the ASBA process
Non-Institutional Investors	Investor, including any company or body corporate, other than a Retail Individual Investor and a Qualified Institutional Buyer
Qualified Institutional Buyers / QIBs	Qualified institutional buyers as defined under Regulation 2(1)(ss) of SEBI ICDR Regulations
Record Date	Designated date for the purpose of determining the shareholders eligible to apply for the Rights Equity Shares in the Issue, being (●)
Refund Bank	Axis Bank Limited
Registered Foreign Portfolio Investors / Foreign Portfolio Investors / FPIs	Foreign portfolio investors as defined under SEBI FPI Regulations
Registrar to the Issue / Registrar	Link Intime India Private Limited
Renouncee(s)	Person(s) who has / have acquired Rights Entitlement from the Eligible Equity Shareholders

Term	Description
Retail Individual Investor(s)	Individual investors who have applied for Rights Equity Shares for a value not more than Rs. 2,00,000 (including HUFs applying through their karta) through one or more applications as defined under Regulation 2(1)(vv) of the SEBI ICDR Regulations
Rights Entitlement	The number of Rights Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to his / her shareholding in our Company as on the Record Date, being (●) Rights Equity Shares for every (●) Equity Shares held by the Eligible Equity Shareholder on the Record Date
Rights Equity Shares	Equity Shares to be Allotted pursuant to the Issue
SCSB(s)	Self-certified syndicate bank registered with SEBI, which acts as a banker to the Issue and which offers the facility of ASBA. A list of all SCSBs is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Split Application Form(s) / SAF(s)	Application form(s) used in case of renunciation in part by an Eligible Equity Shareholder in favour of one or more Renouncees
Stock Exchanges	Stock exchanges where the Equity Shares are presently listed, being BSE and NSE
Transfer Date	The date on which the amount held in the escrow account(s) and the amount blocked in the ASBA Account will be transferred to the account opened with the Escrow Collection Banks, upon finalization of the Basis of Allotment, in consultation with the Designated Stock Exchange.
Wilful Defaulter	Company or person, as the case may be, categorized as a wilful defaulter by any bank or financial institution (as defined under the Companies Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI
Working Day(s)	All days on which commercial banks in Mumbai are open for business

Conventional and General Terms

Term	Description
AGM	Annual general meeting
Companies Act	The Companies Act, 1956 and the Companies Act, 2013, as applicable
Companies Act, 1956	Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the sections of the Companies Act, 2013) along with the rules made thereunder
Companies Act, 2013	Companies Act, 2013, along with relevant rules made thereunder
Depositories Act	Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018
EGM	Extraordinary general meeting
FCNR Account	Foreign Currency Non-Resident Account
FEMA	The Foreign Exchange Management Act, 1999, read with rules and regulations thereunder
FEMA Regulations	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017
Financial Year / FY / Fiscal	Period of 12 months ended March 31 of that particular year
Income-tax Act	Income-tax Act, 1961
Mutual Fund	Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Net Worth	The aggregate of the paid-up Equity Share capital and other equity
Non-Resident / NR	Persons resident outside India, as defined in the FEMA
Regulation S	Regulation S under the Securities Act
Rupees / Rs. / INR	The lawful currency of India
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014

Term	Description
SEBI FVCI Regulations	The Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI SAST Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
SEBI VCF Regulations	The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996
Securities Act	U.S. Securities Act of 1933
U.S. / USA / United States	United States of America, including the territories or possessions thereof
Year	Unless context otherwise requires, shall refer to the twelve-month period ending December 31

Industry Related Terms

Term	Description
AAQMS	Ambient Air Quality Monitor Systems
ANN	Artificial Neural Network
BE	Business Excellence
CCQC	Chapter Convention on Quality Concept
CII	Confederation Indian Industry
CSR	Corporate Social Responsibility(ies)
DRI	Direct Reduced Iron
ESPs	Electro-Static Precipitators
IT	Information Technology
Mm	Milli meter
MS	Magnetic Separator
MW	Mega Watt
OHSAS	Occupational Health and Safety Assessment Series
OSPCB	Odisha State Pollution Control Board
PB	Product Bin
PLF	Plant Load Factor
R&D	Research and Development
SHE	Safety, Health and Environment
TDR	TISCO Direct Reduction
TISCO	Tata Iron and Steel Company Limited
TPA	Tonne Per Annum
TPD	Tonne Per Day
WHRBs	Waste Heat Recovery Boilers

Abbreviations

Term	Description
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
AS / Accounting Standards	Accounting standards issued by the ICAI
BIS	Bureau of Indian Standards
BSE	BSE Limited
CDSL	Central Depository Services (India) Limited
Central Government	Central Government of India
CIN	Corporate identity number

Term	Description
CSR	Corporate social responsibility
DIN	Director identification number
DP / Depository Participant	Depository participant as defined under the Depositories Act
DP ID	Depository participant identity
EBITDA	Earnings before interest, taxes depreciation and amortisation
EPS	Earnings per share
FCNR	Foreign Currency Non-Resident
FDI	Foreign direct investment
FVCI(s)	Foreign venture capital investors, as defined in and registered under SEBI FVCI Regulations
GAAP	Generally Accepted Accounting Principles
GDP	Gross domestic product
Government	Central Government and / or the State Government, as applicable
GST	Goods and services tax
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code, 2016
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Ind AS	Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015
India	Republic of India
Indian GAAP	Generally Accepted Accounting Principles followed in India
ISIN	International Securities Identification Number allotted by the Depository
ISO	International Organization for Standardization
IT	Information Technology
KMP	Key managerial personnel
MCA	Ministry of Corporate Affairs, Government of India
MICR	Magnetic Ink Character Recognition
MoEFCC	Ministry of Environment, Forest and Climate Change, Government of India
MoF	Ministry of Finance, Government of India
NEFT	National Electronic Fund Transfer
NRE Account	Non-resident external account
NRI	Non-resident Indian, as defined in the Foreign Exchange Management (Deposit) Regulations, 2016
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB / Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA
p.a.	Per annum
PAN	Permanent account number
PBT	Profit before tax
RBI	Reserve Bank of India
RoC	Registrar of Companies
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India

Term	Description
VCF(s)	Venture capital funds, as defined in and registered under SEBI VCF Regulations

Notwithstanding the foregoing, terms under the sections titled “*Financial Statements*”, “*Statement of Tax Benefits*” and “*Outstanding Litigations and Defaults*” beginning on pages 103, 66 and 219, of this Letter of Offer, respectively, shall have the meanings given to such terms in these respective sections.

NOTICE TO OVERSEAS INVESTORS

The distribution of this Letter of Offer, the Abridged Letter of Offer, the CAF and the issue of Rights Entitlements and the Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come, are required to inform themselves about and observe such restrictions. Our Company is making the Issue on a rights basis to the Eligible Equity Shareholders of our Company and will dispatch this Letter of Offer, the Abridged Letter of Offer and the CAF only to Eligible Equity Shareholders who have provided an Indian address to our Company.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that this Letter of Offer was filed with SEBI and the Stock Exchanges. Accordingly, this Letter of Offer or any offering materials or advertisements in connection with the Issue may not be distributed in any jurisdiction outside India and the Rights Entitlements and the Rights Equity Shares may not be offered or sold, directly or indirectly, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer or any offering materials or advertisements in connection with the Issue will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Letter of Offer and any offering materials and advertisements in connection with the Issue must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or re-distributed. Accordingly, persons receiving a copy of this Letter of Offer, the Abridged Letter of Offer and the CAF should not, in connection with the issue of the Rights Equity Shares or the Rights Entitlements, distribute or send this Letter of Offer, the Abridged Letter of Offer and the CAF in, or into, any jurisdiction where to do so, would or might contravene local securities laws or regulations. If this Letter of Offer, the Abridged Letter of Offer or the CAF is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or purchase or acquire the Rights Entitlements referred to in this Letter of Offer, the Abridged Letter of Offer or the CAF.

Neither the delivery of this Letter of Offer nor any sale hereunder, shall, under any circumstances, create any implication that there has been no change in our Company's affairs from the date hereof or the date of such information or that the information contained herein is correct as at any time subsequent to the date of this Letter of Offer or the date of such information.

THE CONTENTS OF THIS LETTER OF OFFER SHOULD NOT BE CONSTRUED AS LEGAL, TAX OR INVESTMENT ADVICE. PROSPECTIVE INVESTORS MAY BE SUBJECT TO ADVERSE FOREIGN, STATE OR LOCAL TAX OR LEGAL CONSEQUENCES AS A RESULT OF THE ISSUE OF THE RIGHTS EQUITY SHARES. AS A RESULT, EACH INVESTOR SHOULD CONSULT ITS OWN COUNSEL, BUSINESS ADVISOR AND TAX ADVISOR AS TO THE LEGAL, BUSINESS, TAX AND RELATED MATTERS CONCERNING THE ISSUE OF THE RIGHTS EQUITY SHARES. IN ADDITION, NEITHER OUR COMPANY NOR ANY OF THE LEAD MANAGERS IS MAKING ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF THE RIGHTS EQUITY SHARES REGARDING THE LEGALITY OF AN INVESTMENT IN THE RIGHTS EQUITY SHARES BY SUCH OFFEREE OR PURCHASER UNDER ANY APPLICABLE LAWS OR REGULATIONS.

NO OFFER IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND RIGHTS EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS. ACCORDINGLY, THE RIGHTS ENTITLEMENTS AND RIGHTS EQUITY SHARES REFERRED TO IN THIS LETTER OF OFFER ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S. THE OFFERING TO WHICH THIS LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY RIGHTS EQUITY SHARES OR RIGHTS ENTITLEMENT FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SECURITIES. ACCORDINGLY, THIS LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES AT ANY TIME.

The Rights Entitlements and Rights Equity Share have not been have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the

merits of the offering or the accuracy or adequacy of this Letter of Offer. Any representation to the contrary is a criminal offense in the United States.

Neither our Company, nor any person acting on behalf of our Company, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company, or any person acting on behalf of our Company, has reason to believe is, in the United States of America when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States of America or otherwise dispatched from the United States of America or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer. Our Company is making the Issue on a rights basis to the Eligible Equity Shareholders and will dispatch this Letter of Offer or Abridged Letter of Offer and CAF only to Eligible Equity Shareholders who have provided an Indian address to our Company. Any person who makes an application to acquire rights and / or the Rights Equity Shares and / or acquires Rights Entitlements or Rights Equity Shares offered in this Issue, will be deemed to have declared, represented, warranted and agreed, by accepting the delivery of this Letter of Offer, that (i) it is not a "U.S. Person" as defined in Regulation S under the Securities Act, (ii) it is not and that at the time of subscribing for the Rights Equity Shares or the Rights Entitlements, it will not be, in the United States of America when the buy order is made, and (iii) it is authorized to acquire the Rights Entitlement and the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Company, in consultation with the Lead Managers, reserves the right to treat as invalid any CAF which: (i) appears to our Company or its agents to have been executed in or dispatched from the United States of America; (ii) does not include the relevant certification set out in the CAF headed "Overseas Shareholders" to the effect that the person accepting and / or renouncing the CAF does not have a registered address (and is not otherwise located) in the United States of America, and such person is not a "U.S. Person" as defined in Regulation S under the Securities Act and is complying with laws of jurisdictions applicable to such person in connection with the Issue, among others; (iii) where a registered Indian address is not provided; or (iv) where our Company believes acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to issue or allot any Rights Equity Shares in respect of any such CAF.

NOTICE TO THE INVESTOR

THIS DOCUMENT IS SOLELY FOR THE USE OF THE PERSON WHO RECEIVED IT FROM OUR COMPANY OR FROM THE REGISTRAR. THIS DOCUMENT IS NOT TO BE REPRODUCED OR DISTRIBUTED TO ANY OTHER PERSON.

CERTAIN CONVENTIONS AND PRESENTATION OF FINANCIAL INFORMATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references in this Letter of Offer to 'India' are to the Republic of India and its territories and possessions and the 'Government' or the 'Central Government' or the 'State Government' are to the Government of India, Central or State, as applicable.

Financial Data

Unless stated otherwise, the financial data in this Letter of Offer is derived from the Financial Statements. Our Company's financial year commences on April 1 of every calendar year and ends on March 31 of the following calendar year. For details of the Financial Statements, please refer to the section titled "*Financial Statements*" beginning on page 103.

Our Company prepares its financial statements in accordance with Ind AS, Companies Act, and other applicable statutory and / or regulatory requirements. Our Company publishes its financial statements in Indian Rupees. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Letter of Offer should accordingly be limited.

In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

The Special Purpose Carve-Out Financial Statements of Steel and Bright Bar Business of Usha Martin Limited included in this Letter of Offer have been prepared in accordance with Note 2A(a) of the Special Purpose Carve-Out Financial Statements which explains the basis of preparation.

Market and Industry Data

Unless stated otherwise, market, industry and demographic data used in this Letter of Offer has been obtained from market research, publicly available information, industry publications and government sources. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither our Company nor the Lead Managers make any representation as to the accuracy of that information. Accordingly, investors should not place undue reliance on this information.

Currency of Presentation

All references to 'INR', 'Rs.', 'Indian Rupees' and 'Rupees' are to the legal currency of India.

Further, please note that:

- One million is equal to 10,00,000 or 10 lakhs;
- One crore is equal to 10 million or 100 lakhs; and
- One lakh is equal to 1,00,000.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Letter of Offer that are not statements of historical fact constitute 'forward-looking statements.' Investors can generally identify forward-looking statements by terminology including 'aim', 'anticipate', 'are likely', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'expected to', 'intend', 'is likely', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'will achieve', 'will continue', 'will likely result', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our Company's expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Letter of Offer that are not historical facts. These forward-looking statements contained in this Letter of Offer (whether made by our Company or any third party) involve known and unknown risks, uncertainties, assumptions and other factors that may significantly affect the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are based on our current plans and expectations and are subject to risks, uncertainties and assumptions about our Company that could significantly affect our current plans and expectations and cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our Company's expectations include, among others:

- loss or shutdown of operations at our manufacturing facilities
- reductions in the availability of raw material supplies
- highly cyclical nature of the steel industry and a decrease in steel prices
- overcapacity and oversupply in the global steel industry
- inability to accurately forecast demand or price for our product and manage our inventory
- loss of one or more of our customers or a reduction in their demand for our products
- material changes in the regulations related to the steel and sponge iron manufacturing sector
- volatility in interest rate and other market conditions

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in the sections titled "*Risk Factors*" and "*Business*" beginning on pages 15 and 81, respectively. The forward-looking statements contained in this Letter of Offer are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management of our Company. Whilst our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Letter of Offer or the respective dates indicated in this Letter of Offer, and neither our Company nor the Lead Managers undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements. In accordance with SEBI / Stock Exchanges requirements, our Company and the Lead Managers will ensure that the Eligible Equity Shareholders are informed of material developments until the time of the grant of listing and trading permissions for the Rights Equity Shares by the Stock Exchanges.

SECTION II – RISK FACTORS

This offering and an investment in equity shares involve a high degree of risk. This section describes the risks that we currently believe may materially affect our business and operations. You should carefully consider the following, in addition to any forward-looking statements and the cautionary statements in this Letter of Offer and the other information contained in this Letter of Offer, before making any investment decision relating to the Rights Equity Shares. Prospective investors should read this section in conjunction with the sections ‘Our Business’, ‘Forward Looking Statements’ and ‘Financial Statements’, as well as other financial and statistical information contained in this Letter of Offer. The occurrence of any of the following events, or the occurrence of other risks that are not currently known or are now deemed immaterial, could cause our business, results of operations, cash flows, financial condition and prospects to suffer and could cause the market price of our Equity Shares to decline or fall significantly and you may lose all or part of your investment.

The risks described below are not the only ones relevant to us or the Equity Shares. Additional risks that may be unknown to us and some risks that we do not currently believe to be material could subsequently turn out to be material. Although we seek to mitigate or minimize these risks, one or more of a combination of these risks could materially and adversely impact our business, financial condition and results of operations. Investors should pay particular attention to the fact that our Company is an Indian company and is subject to a legal and regulatory regime which in some respects may be different from that applicable in other countries. Prospective investors should consult their own tax, financial and legal advisors about the particular consequences of an investment in the Issue.

All financial information used in this section is derived from the Financial Statements. For additional details, please refer to the section titled “Financial Statements” beginning on page 103.

Risks Relating to our Business Operations

Our business is significantly dependent on our manufacturing facilities, and any loss, strike, lockout or shutdown of operations at our manufacturing facilities may have a material adverse effect on our business, financial condition, results of operations and cash flows.

We undertake the production of sponge iron and steel at our manufacturing facilities located in Joda, Odisha and Adityapur, Jharkhand, respectively. Our manufacturing facilities are subject to operating risks, such as (i) the risk of substantial disruption or shutdown due to breakdowns or failure of equipment, natural disasters, storms, fires, explosions, earthquakes, floods and other catastrophic events, which could cause power interruptions and water shortages, actual, potential or suspected epidemic outbreaks, terrorist attacks and wars, labour disputes, strikes, lock-outs, loss of services of our external contractors, and industrial accidents, (ii) performance below expected levels of output or efficiency, (iii) obsolescence, (iv) failure to comply with the directives of relevant government authorities or any changes in governmental regulations affecting our business and our facilities, such as any change in the zoning of the land on which our manufacturing facilities are located into a residential or other non-industrial use, which could lead to a loss of licenses, certifications, permits and the ability to continue operating our manufacturing facilities, (v) failure in identifying long-term value opportunities in the sponge iron business in India.

Furthermore, because we have only two manufacturing facilities, one located in Joda, Odisha and another located in Adityapur, Jharkhand, the risk of substantial disruption or shutdown due to a single significant natural calamity or other catastrophic event is more pronounced. Our facilities and equipment would be difficult and costly to replace on a timely basis. Moreover, catastrophic events could also destroy any inventory located at our facilities.

If there is any prolonged disruption or shutdown of operations at our manufacturing facilities, we may not be able to replace the equipment or inventories, or use different facilities to continue our operations in a timely and cost-effective manner or at all. We may not be able to recover from damages or interruptions caused to our manufacturing facilities in a timely manner or at all. We have, in the past, experienced partial shutdowns of our sponge iron manufacturing facility due to renovation. We cannot provide any assurance that such instances will not occur in future. Further, our manufacturing facilities contain both locally procured and imported machinery and equipment. Any non-availability and / or delay of spare parts or skilled personnel to maintain aforesaid machinery and equipment could result in disruptions to our production processes. The occurrence of any such event could result in the temporary or long-term closure of our manufacturing facilities, severely disrupt our business operations and materially and adversely affect our business, results of operations, financial condition and cash flows. Further, our results of operations could be adversely affected by strikes, work stoppages or increased

wage demands by our employees or contract labourers. While we have not experienced any significant employee related issues in the recent past, there can be no assurance that we will not experience any strikes, work stoppages or other industrial actions or that these situations will not disrupt our business and operations in the future. In the event that we are unable to manage our employee related issues or fail to negotiate a settlement with our employees or contract labourers on acceptable terms, it could result in strikes, work stoppages or increased operating costs as a result of higher than anticipated wages or benefits. In addition, such industrial disruptions or work stoppages may result in production losses and delays in delivery of products, which may adversely affect our business prospects, reputation, and results of operations.

We rely on our raw material suppliers for our business, which exposes us to risks associated with volatility or fluctuations in prices of raw materials, and reductions in the availability of raw material supplies could materially disrupt our operations and financial position.

The principal raw materials we use to manufacture our products are iron ore, coking and non-coking coal, limestone, pyroxenite, calcined lime and dolomite. These raw materials have historically been available from a number of suppliers, although we cannot assure you that this will continue to be the case in the future as we have not entered into any long-term agreements with our suppliers. The price and timely availability of such raw materials depend on several factors beyond our control, including overall economic conditions, production levels, market demand and competition for such materials, production and transportation cost. Pricing volatility for raw materials or commodities or an increase in the price of key raw materials could result in increased costs and may significantly affect our financial condition, results of operations and cash flows.

In the recent past, India has experienced fluctuating wholesale price inflation as compared to historical levels due to the global economic downturn. An increase in inflation in India could cause a rise in the price of raw materials and wages, or any other expenses that we incur. If this trend continues, we may be unable to accurately estimate or control our costs of production and this could have an adverse effect on our business and results of operations. While we continue to pursue global sourcing and cost-reduction initiatives, any further increase in the prices of raw materials, to the extent that such increases cannot be passed on to our customers, could severely impact demand and affect our financial condition. We may be adversely affected by fluctuations in the price of any of the aforesaid or other raw materials that have been subject to historical periods of rapid and significant price movements. Price volatility for coal and other raw materials contributes to a difficulty in managing the costs of raw materials. A reduction in, or lack of availability of, raw materials or interruptions in the supply chain could also impact our profitability to the extent we are required to pay higher prices for, or are unable to secure adequate supplies of, the necessary raw materials. Furthermore, the ability of suppliers to deliver raw materials in a timely manner and in sufficient quantities could be restricted, in part due to certain industry issues faced by suppliers. In the event, we fail to procure raw material from our suppliers on time, there could be further under utilisation of capacity causing delays or loss of business. If our suppliers are unable to supply the raw material and / or components required for the manufacture of our products, in sufficient quantities, or there is a loss of one or more significant suppliers, our ability to obtain raw material, components and / or products at competitive rates could be adversely affected. In such event, our cost of purchasing such raw material/components / products from alternate sources could be higher thereby adversely affecting our operating margins and our results of operations. There can be no assurance that strong demand, capacity limitations or other problems experienced by our suppliers will not result in occasional shortages or delays in their supply of raw materials. All of these factors and any severance of our relations with any of our suppliers and/or vendors may have an adverse impact on our business and results of operations.

The Acquisition may adversely impact our financial results.

The Steel Business Undertaking has incurred significant losses in the past few Fiscals and accordingly, upon completion of the Acquisition and integration of the Steel Business Undertaking, there can be no guarantee that such losses would not continue or that additional losses may not accrue. Further, the steel manufacturing facility acquired by us requires de-bottlenecking in order to be utilized at its optimum capacity and gain operational efficiencies. We may have to temporarily shut-down operations at the steel manufacturing facility during such de-bottlenecking period. This may lead to reduction in production volumes which would translate into reduced sales volumes. This could have a direct negative impact on revenue and operating results for such period as well as impact our reputation in the market as a reliable supplier. Consequently, we cannot assure prospective investors that we will be able to successfully implement the debottlenecking or that we will be able to complete it on schedule or within budget. In addition, there can be no assurance that we will be able to achieve our goal of increasing the production of steel products or that we will otherwise be able to achieve an adequate return on our investment in the Steel Business Undertaking. Further, we procure our raw materials and consumables for the

manufacturing of steel products from domestic as well as international suppliers. Any disruption of our suppliers' operations and / or inadequate or interrupted transportation of raw materials to our steel manufacturing facilities or inability to operate the plants at optimal levels could adversely affect our ability to ramp up the business thereby affecting our financial condition, results of operations and cash flows.

If we are unable to successfully integrate the Steel Business Undertaking with our business and operations in an effective and efficient manner in order to generate sufficient revenue to meet our financial targets or if we are unable to reduce costs or make the Steel Business Undertaking profitable, investors could lose their investment. Accordingly, our future financial results, especially for forthcoming financial periods may not be comparable to our historical financials and any reliance on our historical financials or our future earnings should be accordingly limited. Further, in order to consummate the Acquisition, we have availed of certain financial facilities, incurring significant indebtedness. While a portion of the indebtedness availed by us is proposed to be repaid from the Net Proceeds of the Issue, certain facilities will continue to remain outstanding post the completion of the Acquisition. We have been a debt free Company in the past three Fiscals and accordingly, the indebtedness incurred by us on account of the Acquisition will need to be serviced, putting our profitability under pressure which could adversely impact our financial results in the medium term.

We will be subject to several additional risks that could adversely affect our business, financial condition and results of operations by virtue of the Acquisition.

In light of the recent Acquisition, we will be subject to several additional risks that could adversely affect our business, financial condition and results of operations, which may in turn affect the value of the Equity Shares. These risks are also applicable to the held back assets. These risks include, *inter alia*, the following:

- We may be unable to successfully integrate the Steel Business Undertaking with our own business and operations in an effective and efficient manner, which may result in a failure to achieve the anticipated benefits of the Acquisition. The difficulties of combining the two businesses potentially will, *inter alia*, include the following:
 - the necessity of addressing possible differences in corporate cultures and management philosophies;
 - the integration of certain operations following the transaction will require the dedication of significant management resources, which may temporarily distract management's attention from our day-to-day business operations;
 - any inability in managing a much larger business;
 - any inability of our management to cause best practices to be applied to the Steel Business Undertaking; and
 - higher integration costs and lower profitability than expected as a result of any unforeseen difficulties.
- The success of the Acquisition will depend, in part, upon our ability to retain the senior personnel and other key employees of the Steel Business Undertaking and efficiently integrate them with our own human capital. Senior personnel and other key employees of the Steel Business Undertaking may also depart because of issues relating to the uncertainties and / or difficulties that typically arise whilst integrating assets and operations. There can be no assurance that we will be able to retain senior personnel and other key employees, to the extent necessary, to successfully integrate the operations of the Steel Business Undertaking with our own. Further, competition for qualified and experienced personnel in the steel manufacturing industry can be intense, and in the event that we are unable to retain the senior personnel and other key employees of the Steel Business Undertaking, we cannot assure you that we will be able to identify and hire suitable replacements in a timely manner or at all. Additionally, we may be required to increase compensation and / or other benefits in order to retain such personnel, which may affect our costs and profitability.
- While we have carried out reasonable due diligence in respect of the Steel Business Undertaking prior to the Acquisition, there can be no assurance that the Steel Business Undertaking will not have defects or deficiencies that are unknown or unquantified. In the event that any of the information relied upon by us in respect of the Acquisition is incomplete or inaccurate, we may be subject to unforeseen legal, tax and accounting liabilities and obligations. Further, our analysis of the potential benefits of the Acquisition may not necessarily be accurate as the assets as well as plants and machinery comprising the Steel Business Undertaking are situated in geographies in which we do not directly operate, and are utilized in the manufacture of products in which we do not have sufficient expertise. Accordingly, we may not be able to

assess or identify all risks and liabilities associated with the assets and operations of the Steel Business Undertaking. This may affect our business, financial condition, results of operations and the implementation of our business strategy.

- The production of steel is capital intensive, with a high proportion of fixed costs to total costs. Steel production requires substantial amounts of raw materials and energy, including iron ore, coking coal and coke, scrap and power, which are subject to significant price volatility. Thus, we may require additional capital to fund the operations and maintenance of the Steel Business Undertaking. If we are unable to source such funds in a timely manner or at all, on commercially viable terms from external sources or from our own internal accruals, our results of operations, financial condition and profitability may be adversely affected.
- We do not have any prior experience in the manufacturing or marketing of steel. The market for steel is very competitive with high international presence. Further, the steel market is characterized by evolving technology standards that require improved quality, changing customer specifications and wide fluctuations in product supply and demand. Competition from global steel producers with expanded production capacities could result in significant price competition, declining margins and a reduction in revenue. For instance, these companies may be able to negotiate preferential prices for certain products or receive discounted prices for bulk purchases of certain raw materials that may not be available to us. There can be no assurance that we will be able to effectively compete, and grow, the Steel Business Undertaking in such an environment. We also do not have any prior experience in managing mining operations and we may face operational challenges due to our lack of experience.
- We cannot be certain that all the requisite regulatory and other approvals and registrations in respect of the Steel Business Undertaking have always been obtained and maintained, or will be obtained or renewed in a timely manner or at all. If we are unable to obtain and maintain the requisite licenses in a timely manner or at all, or to renew or maintain existing permits or approvals, or comply with the terms and conditions prescribed in such permits or approvals, it may result in the interruption of the operations of the Steel Business Undertaking, and may have a material adverse effect on our business, financial condition and results of operations.
- For the purpose of this Letter of Offer, we have included the Special Purpose Carve-Out Financial Statements, which are the financial statements of the Steel Business Undertaking, being the erstwhile steel business of UML and plant and machinery of the bright bar business, comprising the carve-out balance sheet as at March 31, 2019, the carve-out statement of profit and loss including the statement of other comprehensive income, the carve-out statement of cash flows for the year then ended and the carve-out statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. The Special Purpose Carve-Out Financial Statements have been prepared for the sole purpose of the Issue and may not necessarily give an indication of our financial results, cash flows and financial position in the future. Further, the Special Purpose Carve-Out Financial Statements have been prepared for the Steel Business Undertaking as a whole. However, some of the assets of the Steel Business Undertaking are currently in the process of being transferred to our Company, subject to regulatory and other approvals. Thus, the Special Purpose Carve-Out Financials also reflects the held-back assets that are yet to be acquired by our Company. Accordingly, the degree of reliance placed by investors on the Special Purpose Carve-Out Financial Statements should be limited.
- Some of the assets of the Steel Business Undertaking are pending transfer. We cannot assure you that we will be able to acquire the pending assets from UML. In the event we are unable to acquire the pending assets, we may suffer monetary and / or reputational losses, which could have a material adverse effect on our business, results of operations, financial conditions and prospects.

The Steel Business Undertaking is involved in certain legal and regulatory proceedings, which are pending at different levels of adjudication before various courts, tribunals and regulatory authorities in different jurisdictions. We will be responsible for the assumed legal proceedings in respect of the Steel Business Undertaking, as per the terms of the BTA. Further, the assets and operations of the Steel Business Undertaking may become subject to regulatory proceedings as a result of actions and / or events that have occurred, prior to the completion of the Acquisition, which may impair our ability to successfully utilize such assets. For instance, based on publicly available information, we understand that in 2016, the CBI had conducted searches at the offices of UML and certain of its officers in respect of alleged irregularities in relation to the allotment of the iron ore mine at Ghatkuri, Singhbhum, Jharkhand, which is one of the assets that comprises the Steel Business

Undertaking, and filed first information report against UML and certain persons. In the event of an adverse decision in any such proceedings, we may incur monetary and / or reputational losses, expend significant management time and attention and be required to make provisions in our financial statements, which could have a material adverse effect on our business, results of operations, financial condition and prospects. For further details, please refer to the section titled “*Outstanding Litigation and Defaults*” beginning on page 219.

The steel industry is highly cyclical and a decrease in steel prices may have a material adverse effect on our business, results of operations, prospects and financial condition.

Steel prices are volatile, reflecting the highly cyclical nature of the global steel industry. Steel prices fluctuate based on a number of factors, such as the availability and cost of raw material inputs, fluctuations in domestic and international demand and supply of steel and steel products, worldwide production and capacity, fluctuation in the volume of steel imports, transportation costs, protective trade measures and various social and political factors, in the economies in which the steel producers sell their products and are sensitive to the trends of particular industries, such as the automotive, construction, packaging, appliance, machinery, equipment and transportation industries, which are among the biggest consumers of steel products. When downturns occur in these economies or sectors, we may experience decreased demand for our products, which may, in turn, have a material adverse effect on our business, results of operations, financial condition and prospects.

If there is weakness in sectors of the economy that are substantial consumers of steel products, such as the construction and automobile industries, it would also adversely affect steel producers. While steel prices have increased in recent years, they have been subject to fluctuation. Low steel prices adversely affect the businesses and results of operations of steel producers generally, including ours, resulting in lower revenue and margins and write downs of finished steel products and raw material inventories. In addition, substantial decreases in steel prices during periods of economic weakness have not always been balanced by commensurate price increases during periods of economic strength. Any sustained price recovery will most likely require a broad economic recovery, in order to underpin an increase in real demand for steel products by end users. The volatility, length and nature of business cycles affecting the steel industry have become increasingly unpredictable, and the recurrence of another major downturn in the industry may have a material adverse impact on our business, results of operations, financial condition and prospects.

We derive a significant portion of our revenue in the sponge iron business from a few major customers. Historically, we have not entered into long-term contractual arrangements with any such major customer, and the loss of one or more of them or a reduction in their demand for our products could adversely affect our business, results of operations, financial condition and cash flows.

We currently generate a significant portion of our revenues in the sponge iron business from a limited number of major customers. For Fiscals 2019 and 2018, our top 10 customers contributed 79.27% and 77.42% to our revenue from operations, respectively. However, we do not have long-term contractual arrangements in the sponge iron business with any of such current major customers, and conduct business with them on the basis of purchase orders that are placed from time to time. Further, Tata Steel is the major purchaser of the power generated from our sponge iron manufacturing facilities. Our reliance on a select group of customers may constrain our ability to negotiate our arrangements, which may have an impact on our profit margins and financial performance. Although we have long-standing relationships with these customers, failure to meet customer requirements could lead to penalties, damages and cancellation / non-renewal of purchase orders that could result in the loss of any of these customers or a significant reduction in demand which could have an adverse effect on our business, results of operations and financial condition. Further, any loss of one or more of such customer or a reduction in the demand for our products or any adverse impact on the business of our customers could adversely impact our revenues. We cannot assure you that we will be able to maintain historic levels of business from our major customers, or that we will be able to significantly reduce customer concentration in the future. In addition, as a consequence of our reliance on these major customers, any adverse change in their financial condition may also have an adverse effect on our business.

Our business depends on the reputation and consumer perception of the “Tata” brand, and any negative publicity or other harm to the brand may materially and adversely affect our business, financial condition, results of operations and cash flows.

We believe that our reputation and consumer perception of the “Tata” brand is important to our business. Further, we believe that maintaining and enhancing the “Tata” brand is essential to our efforts to maintain and expand our customer base. In addition, the brand image may be harmed by negative publicity relating to the aforesaid brand

or the companies associated with the “Tata” group, regardless of its veracity. Any negative publicity or other harm to the “Tata” brand may materially and adversely affect our business, financial condition, results of operations and cash flows.

We do not own the “TATA” trademark and logo. Our license to use the “TATA” trademark and logo may be terminated under certain circumstances and our ability to use the trademark and logo may be impaired. Inability to continue the usage of our trademark may adversely affect our business, reputation, results of operations, cash flows and financial condition.

We do not own the “TATA” trademark, which is registered in the name of, and owned by, Tata Sons Limited. We have entered into a licensing agreement with Tata Sons Limited for the usage of the “TATA” trademark, however, the usage of this trademark is subject to fulfilment of certain terms and conditions as per the licensing agreement. If we are unable retain the trademark, we may not be able to compete effectively and our business, reputation, results of operations, cash flows and financial condition could be adversely affected.

Further, we have applied for a patent on heat resistant paint composition. Our patent application may be challenged by others or invalidated through administrative process or litigation. In addition, patents in India have a term of twenty years from the date of the application. There can be no assurance that we will be able to protect our intellectual property rights in the future, including by successfully maintaining or renewing our intellectual property registrations.

There are outstanding legal proceedings against our Company, which if determined adversely, could affect our business, results of operations and financial condition.

There are certain outstanding legal proceedings initiated against our Company. These proceedings are pending at different levels of adjudication before various courts and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable as on the date of this Letter of Offer, and includes the amounts claimed jointly and severally from us and other parties. Should there be any new developments, such as any change in applicable laws or, any rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase expenses and current liabilities. There can be no assurance that these proceedings will be determined in our favor or that penal or other action will not be taken against us. Any adverse decision in such proceedings may have an adverse effect on our business, results of operations and financial condition. For further information, along with the disclosures including, *inter alia*, the amount involved, period for which such demands or claims are outstanding, financial implications and the status of the proceedings, please refer to the section titled “*Outstanding Litigation and Defaults*” beginning on page 219.

We may be unable to recover, in part or full, the expenditure incurred by us in connection with the Radhikapur (East) Coal Block in a timely manner

The Supreme Court of India (the “**Supreme Court**”) had *vide* its order dated September 24, 2014, cancelled the allotment of certain coal blocks, including the Radhikapur (East) Coal Block that had been allotted to us on February 7, 2006. As of March 31, 2019, we had incurred expenditure amounting to Rs. 18,040.96 lakhs in respect of the Radhikapur (East) Coal Block. Consequent to the judgment of the Supreme Court, the Government of India promulgated the Coal Mines (Special Provisions) Rules, 2014 (the “**Rules**”), which prescribe, *inter alia*, the manner of allotment of the coal mines through auction and matters related thereto. In terms of the Rules, our Company is entitled to receive payment of an amount equal to the compensation determined by the nominated authority in respect of the land and mine infrastructure. Subsequently, we have furnished the required statement of expenses and other details to the nominated authority in the prescribed format on February 22, 2018. In the event that the nominated authority does not accept our computation of the compensation amount or computes a lesser compensation amount, we may need to resort to potentially costly legal proceedings that may divert our management’s attention and resources. Further, if we do not receive the compensation amount claimed by us in terms of Rules, in a timely manner or at all, our business, results of operations and financial condition may be adversely affected. For further details, please refer to the section titled “*Outstanding Litigation and Defaults*” beginning on page 219.

Overcapacity and oversupply in the global steel industry may adversely affect our profitability.

Any production overcapacity and oversupply in the steel industry would likely cause increased competition in steel markets around the world which would likely lead to reduced profit margins for steel producers, and would also likely have a negative effect on our ability to increase steel production in general. No assurance can be given

that we will be able to continue to compete in such an economic environment or that a prolonged stagnation of the global economy or production overcapacity will not have a material adverse effect on our business, results of operations, financial condition or prospects.

Our estimates of the mineral reserves of the mines which are a part of the Steel Business Undertaking are subject to assumptions, and if the actual amounts of such reserves are less than estimated, or if we are unable to gain access to sufficient mineral reserves, our results of operations and financial condition may be adversely affected.

Our estimates of the iron ore and coal resources in the mines forming part of the Steel Business Undertaking are subject to probabilistic assumptions based on interpretations of geological data obtained from sampling techniques and projected rates of production in the future. Actual reserves and production levels may differ significantly from reserve estimates. Furthermore, it may take many years from the initial phase of exploration before production is possible during which time the economic feasibility of exploiting such reserves may change. There can be no assurance that commercial levels of raw materials will be discovered or that the mines will produce raw materials at the estimated amounts or at all.

If mineral reserves or the quality of such reserves are overestimated, the level of viable reserves would be lower than expected, and we may be forced to purchase such minerals in the open market. Prices of minerals in the open market may significantly exceed the cost at which we might otherwise be able to extract these minerals, which would cause costs to increase and consequently adversely affect our businesses, results of operations, financial condition and prospects.

Our inability to accurately forecast demand or price for our product and manage our inventory may have an adverse effect on our business, results of operations and financial condition.

Our business depends on our estimate of the demand for our products from customers and on the basis of purchase orders that are placed from time to time. Some of our customers operate within the secondary steel sector. The demand for the products manufactured by our customers is linked to a variety of factors, including customers' attempts to manage their inventory, design changes, changes in their product mix, manufacturing strategy, growth strategy, and macroeconomic factors affecting the economy in general and our customers in particular.

If we underestimate demand or have inadequate capacity due to which we are unable to meet the demand for our products, we may manufacture fewer quantities of products than required, which could result in the loss of business. At times when we have overestimated demand, we may have incurred costs to purchase more raw materials and manufactured more product than required. While we forecast the demand and price for our product and accordingly plan our production volumes, any error in our forecast leading to overestimating demand, could result in a reduction in our profit margins and surplus stock, which may result in additional storage cost and such surplus stock may not be sold in a timely manner, or at all. Our inability to accurately forecast demand for our product and manage our inventory may have an adverse effect on our business, results of operations and financial condition.

Additionally, high industry-wide inventory levels of steel reduce the demand for production of steel because customers can draw from inventory rather than purchase new products. This reduction in demand could result in a corresponding reduction in prices and sales, both of which could contribute to a decrease in earnings. Industry-wide inventory levels of steel products can fluctuate significantly from period to period.

Our operations are hazardous and could expose us to the risk of liabilities, loss of revenue and increased expenses.

Our operations are subject to various hazards associated with the production of sponge iron and steel, such as the use, handling, processing, storage and transportation of scrap and chemicals, as well as accidents such as leakage or spillages. In addition, our employees operate heavy machinery at our manufacturing facilities and accidents may occur while operating such machinery. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, environmental damage and may result in the suspension of operations and the imposition of civil and criminal liabilities. In the past we have had instances of certain fire and near miss cases. As a result of past or future operations, claims for damages from our customers along with claims of injury by employees or the public due to exposure, or alleged exposure, to the hazardous materials involved in our business may arise.

Further, the mining operations under the Steel Business Undertaking are subject to hazards and risks normally associated with the exploration, development and production of natural resources including industrial accidents, such as explosions, fires, cave-ins, transportation interruptions and inclement weather. These operations are also subject to hazards and risks relating to negative environmental consequences such as those resulting from tailings and sludge disposal, effluent management and disposal of mineralized waste water and rehabilitation of land disturbed during mining processes. In addition, environmental awareness throughout the world, including in India and other emerging markets, has grown significantly in recent years, and opposition to mining operations have also increased due to the perceived negative impact they have on the environment. Public protests over our mining operations could cause operations to slow down, damage our reputation and goodwill with the governments or public in the countries and communities in which we operate, or cause damage to our facilities. Public protests could also affect our ability to obtain necessary licenses to expand existing facilities or establish new operations. Events like these could result in liabilities, or adversely affect our reputation with suppliers, customers, regulators, employees and the public, which could in turn affect our financial condition and business performance. While we maintain general insurance against some of these liabilities, insurance proceeds may not cover or may not be adequate to fully cover the substantial liabilities, lost revenues, loss of reputation or increased expenses that we might incur.

Our ability to reduce our cost of production and thereby increase our operational efficiency is an essential part of our business strategy and we cannot assure you that our cost reduction measures will achieve the planned operational efficiencies we seek.

Reducing our cost of production and increasing our capacity utilization is essential to our business strategy in a highly competitive market environment. Our cost reduction efforts focus on a combination of measures such as continuous research and development, process and productivity improvements and effective management of our supply chain. Our measures to increase our operational efficiency may not yield similar results in the future, which may adversely affect our results of operations.

We require certain regulatory approvals and licenses in the ordinary course of our business, and the failure to obtain, maintain and renew these approvals and licenses necessary for carrying out our business, in a timely manner or at all, may adversely affect our operations.

We are subject to various environmental, health and safety, employee-related and other laws and regulations applicable to our business operations, including laws and regulations governing our relationship with our employees in areas such as minimum wages, maximum working hours, overtime, working conditions, hiring and terminating employees, contract labour and work permits, as well as other local laws or regulations in India. The success of our strategy to optimize our existing operations in the sector in which we operate is contingent upon, among other factors, receipt of all required licenses, permits and authorizations, including local land use permits, building and zoning permits, environmental permits, and health and safety permits.

For instance, we have applied for transfer / change in name in relation to various approvals, licenses, consents, registrations and permissions that were transferred to our Company pursuant to the Acquisition, under the applicable laws. Additionally, we have also applied for renewal of some of our existing approvals. For further details, please refer to the section titled “*Government and Other Approvals*” beginning on page 225.

Although we aim towards maintaining compliance with all environmental, health and safety, employee-related and other applicable laws and regulations currently in force, changes in these laws or regulations may result in implications such as incurring significant costs in order to maintain compliance with such laws and regulations and may also delay or prevent project completion amongst others. There can be no assurances that the legal framework, licensing and other regulatory requirements or enforcement trends in our industry will not further change in a manner that does not result in increased costs of compliance, or that we will be successful in adequately responding to such changes.

If we fail to comply with any existing laws and regulations, or fail to obtain, maintain or renew any of the required licenses or approvals, the relevant regulatory authorities may impose fines and penalties on us as well as our officers, who may additionally be liable to be imprisoned, revoke our business licenses and approvals and / or require us to discontinue our business or impose restrictions on the affected portion of our business. Any action brought against us for alleged violations of laws or regulations, even if our defense thereof is successful, could cause us to incur significant legal expenses and divert our management’s attention from the operation of our business. Any determination that we have violated, or any public announcement that we are being investigated for possible violations of these laws or regulations could harm our reputation, operating results and financial

condition. If we are found in violation, we may be subject to any applicable penalties associated with such violations, including civil and criminal penalties, damages and fines, loss of licenses, certifications, accreditations or authorizations, refund payments received by us, and curtail or cease our operations. If we lose or otherwise are unable to maintain any of our required licenses and approvals under applicable laws and regulations, our business operations may likely be materially and adversely affected.

Our manufacturing facilities are situated on parcels of land that have been leased by us. If we are unable to renew existing leases or relocate our operations on commercially reasonable terms, there may be an adverse effect on our business, financial condition and operations.

Our sponge iron manufacturing facility and power plants are situated on parcels of land that have been leased by us on a long-term basis from Odisha Industrial Infrastructure Development Corporation and the Government of Odisha. Our steel iron manufacturing facility is situated on parcels of land that are leased by us from the Government of Jharkhand and the Adityapur Industrial Area Development Authority for a period of thirty years. Further, our Company has also entered into lease agreements for office spaces and residential accommodations, the tenure of which generally vary from less than a year to three years and include an option for renewal on mutually agreed terms.

If we are unable to renew certain or all of these leases on commercially reasonable terms, we may suffer a disruption in our operations or be unable to continue to operate from those locations in the future (and may, to that extent, need to revise our raw material sourcing, product manufacturing and raw material and product inventory schedules and / or incur significant costs to relocate or expand our operations elsewhere in order to continue to honour our commitments to our customers). For further details of our immovable properties, please refer to the section “*Our Business*” beginning on page 81.

Certain of our corporate records are not traceable.

Certain corporate records and regulatory filings made by our Company are not traceable. We have relied on alternate sources such as the website of the Ministry of Corporate Affairs and other corporate records for such information. We cannot assure you that such corporate records will be available in the future.

A shortage or non-availability of electricity or water may adversely affect our manufacturing operations and have an adverse effect on our business, results of operations and financial condition.

Our manufacturing operations require a significant amount and continuous supply of electricity and water and any shortage or non-availability may adversely affect our operations. We currently source our water requirements from a local water body, and we depend on our captive power plants for our energy requirements. We cannot assure you that our manufacturing facilities will be operational during power failures, if any. Any failure on our part to obtain alternate sources of electricity or water, in a timely fashion, and at an acceptable cost, may have an adverse effect on our business, results of operations and financial condition.

As a manufacturing business, our success depends on the smooth supply and transportation of raw materials from our suppliers, and also on the smooth delivery of our products to our customers, both of which are subject to various uncertainties and risks. Any failure by any of our suppliers of raw materials to adhere to our technical specifications, quality requirements and production and delivery schedules could disrupt our manufacturing process.

We procure our raw materials from domestic as well as international suppliers. Any disruption of our suppliers’ operations and / or inadequate or interrupted transportation of raw materials to our manufacturing facilities could adversely affect our business, financial condition, results of operations and cash flows. We do not have any formal agreements with some of these suppliers in connection with the supply of such raw materials.

Any failure by any of our suppliers of raw materials to adhere to our technical specifications, quality requirements and production and delivery schedules could disrupt our manufacturing process, which could have a material adverse effect on our results of operations and financial condition. In the event of any of the foregoing, we may be required to buy raw materials in the spot market at unfavorable prices, which could materially and adversely affect our business and results of operations and cash flows. Further, disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, geopolitical events, or other events could impair our ability to supply our products to our customers.

Further, we depend primarily on trucking and railways for the delivery of raw materials to our manufacturing facilities and the delivery of our products from our manufacturing facilities to our warehouses and customers. We rely on third parties to provide such services. These transportation providers may not be adequate to support our existing and future operations. We cannot guarantee that there will not be any transportation strikes, which could have an adverse effect on our receipt of the essential raw materials or delivery of our products to our customers. Continuous increase in transportation costs or unavailability of transportation services may have an adverse effect on our business, financial condition, results of operations and prospects.

We are dependent on imports for supply of raw materials for the steel manufacturing business.

Our Company meets its demand of raw materials such as coal by way of imports. The dependence on imported raw materials may adversely affect our profitability in case the trade relations of India with the countries from which we procure our raw materials get strained in the future or the suppliers face any sort of shortage due to delayed imports. Also, the exchange rate between the Indian Rupee and currencies of countries where our raw materials originate or are supplied from may fluctuate and adversely impact the cost at which we procure these raw materials and thereby also affect our results of operations.

We depend significantly on sales in India, any decrease in which will adversely affect our business, revenue, results of operations and cash flows.

In Fiscals 2019 and 2018, we derived 79.95% and 85.84% of our revenue from operations from our sales in India, respectively. Existing and potential competitors may increase their focus on India, which could reduce our market share. For example, our competitors may intensify their efforts to capture a larger market share by incurring higher promotional expenses and launching aggressive campaigns. If we are unable to compete effectively in India, it could adversely affect our sales volumes and pricing levels for our product in India, as well as erode our market share. In the event that we experience adverse effects on our sales volumes or pricing levels, or loss of market share, due to increased competition or otherwise, it could adversely affect our business, revenue, results of operations and cash flows.

Competition from other materials, or changes in the products or manufacturing processes of customers that use our steel products, could reduce market prices and demand for steel products and thereby reduce our cash flow and profitability.

In many applications, steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Government regulatory initiatives mandating or creating incentives for the use of such materials in lieu of steel, whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could significantly reduce market prices and demand for steel products and thereby reduce our cash flow and profitability.

In addition, the steel market is characterized by evolving technology standards that require improved quality, changing customer specifications and wide fluctuations in product supply and demand. The products or manufacturing processes of the customers that use our steel products may change from time to time due to improved technologies or product enhancements. These changes may require us to develop new products and enhancements for our existing products to keep pace with evolving industry standards and changing customer requirements. If we cannot keep pace with market changes and produce steel products that meet our customers' specifications and quality standards in a timely and cost-effective manner, our business, results of operations, financial condition and prospects could be materially adversely affected.

Any slowdown in the automotive sector or any adverse changes in the conditions affecting the growth of transportation sector could adversely impact our business, results of operations, financial condition and cash flows.

Our steel business is heavily dependent on the performance and market trends of the automotive sector, particularly the conventional vehicles sector. Automotive sales and production are historically cyclical and exhibit fluctuations from year to year and are subject to many factors beyond our control, including, but not limited to, economic growth rates, consumer confidence, employment levels, risk of equipment failure, fuel prices, interest rates, labour relations issues, technological developments, regulatory requirements and trade agreements. Any economic downturn in the manufacture and sale of conventional vehicles may significantly affect our business, financial condition, results of operations, cash flows and growth.

Our indebtedness and the conditions and restrictions imposed by our financing agreements could adversely affect our ability to conduct our business and operations

Our indebtedness and the restrictive covenants imposed upon us with certain debt facilities could restrict our ability to conduct our business and grow our operations, which would adversely affect our financial condition and results of operations. We may in the future incur additional indebtedness in connection with our operations and the financing documents may contain restrictive covenants. Our indebtedness could have several important consequences on our future financial results and business prospects. There are certain restrictive covenants in the arrangements we have entered into with our lenders. There can be no assurance that we have or will, at all times, complied / comply with all of the terms of the said financing documents. Any failure to service our Company's indebtedness and / or to comply with all of the terms of the said financing documents could have an adverse effect on our results of operations and / or profitability.

Our business will require substantial funds, and any disruption in funding sources would have a material adverse effect on our liquidity and financial condition

In order to pursue the present and future growth and diversification plans, our Company will require substantial funds. Our ability to obtain funds at competitive rates will depend on various factors, which may not be in the control of our Company. If we are unable to obtain adequate financing or financing on terms satisfactory to us and in a timely manner, our ability to grow or support our business and to respond to business challenges could be limited and our business prospects, liquidity and financial condition may be materially and adversely affected.

We are dependent on the continued efforts of our senior management team and the loss of key members may adversely affect our business.

Our success depends on the continued services and performance of the members of our management team and other key employees. Competition for attracting senior management in the industry is generally intense, and even though we have relatively low attrition rates, we cannot provide any assurance that we will be able to retain our existing senior management or attract and retain new senior management in the future. The loss of the services of key persons in the organization could impair our ability to continue to manage and grow our business and thereby may adversely affect our business, results of operations, financial condition and cash flows. The success of our business will also depend on our ability to identify, attract, hire, train, retain and motivate skilled personnel. Since the demand for professionally qualified personnel is high, there is competition in attracting the best talent. Our professionals are highly sought after by other players within the industry as well as other Indian companies, particularly as India's economy continues to grow and mature. If we fail to hire and retain sufficient numbers of qualified personnel for functions such as manufacturing, technical, finance, marketing, sales, operations and research and development, our business operating results and financial condition could be adversely affected.

The Company's business could be negatively affected by the actions of activist shareholders.

Certain of our shareholders may from time to time advance shareholder proposals or otherwise attempt to effect changes or acquire control over our business. Campaigns by shareholders to effect changes at publicly-traded companies are sometimes led by investors seeking to increase short-term shareholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases or even sales of assets or the entire company, or by voting against proposals put forward by the board of directors and management of the company. Further, the advent of the internet and social media has increased the outreach of such campaigns to a large extent. If faced with actions by such shareholders, we may not be able to respond effectively to such actions, which could be disruptive to our business.

We will continue to be controlled by our Promoter after the completion of the Issue

After the completion of the Issue, our Promoter will continue to exercise control over us, including being able to influence the composition of our Board and influence matters requiring shareholder approval. Our Promoter may take or block actions, which Promoter, may believe to be in the interest of our Company but may conflict with the interests of our minority shareholders. Through its influence, our Promoter may be in a position to delay, defer or cause a change of our control or a change in our capital structure, delay, defer or cause a merger, consolidation, takeover or other business combination involving us, discourage or encourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

We have entered into certain transactions with related parties in the past and may continue to do so in the future. These transactions or any future transactions with our related parties could potentially involve conflicts of interest.

Our Company has entered into transactions with several related parties, including our Promoter and other entities in the Tata Group, which were conducted in compliance with applicable laws and on arm's length basis. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. Any transactions that we may enter into with our related parties in the future may potentially involve conflicts of interest. For further details, please refer to the section titled "Financial Statements" beginning on page 103.

We have certain contingent liabilities that have not been provided for in our financial statements, which, if they materialize, may adversely affect our financial condition.

As of March 31, 2019, our contingent liabilities that have not been provided for are as set out in the table below:

#	Particulars	Amount (in Rs. Lakhs)
A Claims against the Company, on a consolidated basis, not acknowledged as debts		
1.	Income tax	159.28
2.	Odisha entry tax	2,579.93
3.	Customs duty	3,818.44
4.	Demand from Ministry of Coal against Radhikapur coal block	3,250.00
5.	Demand from suppliers	152.13
B Other money for which the Company, on a consolidated basis, is contingently liable		
1.	Renewable energy purchase obligation	632.89
2.	Excise Duty	2,946.30

If a significant portion of these liabilities materialize, it could have an adverse effect on our business, financial condition and results of operations. For details, please refer to the section titled "Financial Statements" beginning on page 103.

We rely on our IT systems in managing our supply chain, production process, logistics and other integral parts of our business.

We rely on our information technology systems in connection with order booking, customer management, material procurement, accounting and production. Therefore, the reliability of our network infrastructure is critical to our business. Any failure in our information technology systems could result in business interruptions, including disruption in our supply management, the loss of buyers, damaged reputation and weakening of our competitive position, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are required to comply with environmental laws and regulations that could cause us to incur significant costs.

Our manufacturing operations are subject to numerous laws and regulations designed to protect the environment, and additional requirements with respect to environmental matters may be imposed in the future. Material future expenditures may be necessary if compliance standards change, if material unknown conditions that require remediation are discovered or if required remediation of known conditions becomes more extensive than expected. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities or the suspension of production, which could harm our business, results of operations or cash flows. Environmental laws could also restrict our ability to expand our manufacturing facilities or could require us to acquire costly equipment or to incur other significant expenses in connection with our manufacturing processes.

Information relating to the historical capacity utilization of our sponge iron manufacturing facility included in this Letter of Offer is based on various assumptions and estimates and future production and capacity may vary.

Information relating to the historical capacity utilization of our sponge iron manufacturing facility included in this Letter of Offer is based on various assumptions including those relating to availability of raw materials, consumables, raw material mix and operational efficiencies. Actual production levels and rates may differ significantly from the production capacities. Undue reliance should therefore not be placed on our historical capacity utilization information for our existing sponge iron manufacturing facility included in this Letter of Offer.

Any adverse credit ratings in future could increase borrowing costs and adversely affect our access to capital and lending markets and could also affect our interest margins, business, results of operations and financial condition.

The cost and availability of debt capital depends on our credit ratings. Credit ratings reflect a rating agency's opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. Certain factors that influence our credit ratings may be outside of our control. Our long-term fund based limits were downgraded by ICRA from [ICRA] AA (stable) to [ICRA] AA – and our short term non-fund based limits were reaffirmed at [ICRA]A1+. Further, our Commercial Paper is rated by ICRA as [ICRA]A1+ and by India Ratings & Research Private Limited as IND A1+. However, any adverse credit ratings or downgrading of our credit ratings in future could increase borrowing costs and adversely affect our access to capital and debt markets, which could in turn adversely affect our interest margins, our business and results of operations and cash flows. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any additional financing or refinancing arrangements in the future.

We engage personnel on a contract basis for carrying out certain of our operations , thereby face the risk of unsatisfactory quality of work performed by our subcontractors and we may also be held responsible for paying the wages of such personnel, if the independent contractors through whom such personnel are hired default on their obligations, and such obligations could have an adverse effect on our results of operations and financial condition.

In order to retain flexibility and control costs, we appoint independent contractors who in turn engage personnel for performance of certain of our operations. Although we do not engage these labourers directly, we may be held responsible for any wage payments to be made to such labourers in the event of default by such independent contractor. Any requirement to fund their wage requirements may have an adverse impact on our results of operations and financial condition. In addition, under the Contract Labour (Regulation and Abolition) Act, 1970, as amended, we may be required to absorb a number of such contract labourers as permanent employees. Thus, any such order from a regulatory body or court may have an adverse effect on our business, results of operations and financial condition.

In addition, should our subcontractors default on their contractual obligations or be unable to complete their work according to specifications on schedule, our ability to deliver products to our customers in accordance with the quality or timing specifications may be compromised, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Increased staff costs could adversely affect our profitability, results of operations and cash flows.

The cost of labour in India has been increasing over the past years due to increasing competition for quality employees among manufacturing companies as well as growth in inflation and general wage increases. Many aspects of our strategies and business growth may require us to hire additional employees. Due to the nature of our operations, a significant proportion of our employees comprises contract labour, which is more cost-efficient for us and provides us with some flexibility in managing our labour pool. If competitive forces require us to hire proportions of permanent, full-time employees and / or convert existing contract employees into permanent, full-time employees, our staff costs could increase without corresponding increases in our revenue, which could adversely affect our profitability, results of operations and cash flows.

Our insurance coverage may not be sufficient to cover all of our potential losses.

Our business may involve risks and hazards which could adversely affect our profitability, including natural calamities, breakdowns, failure or substandard performance of equipment, third party liability claims, labour disturbances, employee fraud and infrastructure failure. Our Company cannot assure you that the operation of our business will not be affected by any such incidents or hazards. In addition, our insurance may not provide adequate coverage in such circumstances including those involving claims by third parties and is subject to certain deductibles, exclusions and limits on coverage. If our arrangements for insurance or indemnification are not

adequate to cover claims, including those exceeding policy aggregate limitations or exceeding the resources of the indemnifying party, our Company may be required to make substantial payments and our results of operations and financial condition may be adversely affected. Further, in relation to the Acquisition, we were unable to transfer all the insurance policies in the name of UML, to our Company.

While we may in the future obtain further insurance policies in relation to the Steel Business Undertaking, we cannot assure you that the insurance coverage for the Steel Business Undertaking is adequate.

Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements.

The amount of our future dividend payments, if any, will depend upon various factors including our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements. Even though we have declared dividends in the past 15 years, there can be no assurance that we will be able to declare dividends in subsequent years as well. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board of Directors and will depend on various factors. Accordingly, realization of a gain on shareholder investments will depend on the appreciation of the price of the Equity Shares. There is no assurance that the Equity Shares will appreciate in value. We cannot assure you that we will be able to pay dividends in the future.

Any damages caused by fraud, theft or other misconduct by our employees could adversely affect our profitability, results of operations and cash flows.

We are exposed to operational risk arising from inadequacy or failure of internal processes or systems or from fraud or theft. We are susceptible to fraud or misappropriation by our employees or outsiders. Our management information systems and internal control procedures are designed to monitor our operations and overall compliance. However, they may not be able to identify non-compliance and / or suspicious transactions in a timely manner or at all. As a result, we may suffer monetary losses, which may not be covered by our insurance and may thereby adversely affect our profitability, results of operations and cash flows. Further, such a result may also adversely affect our reputation.

Statistical and industry data in this Letter of Offer may be incomplete or unreliable.

We have not independently verified data obtained from industry publications and other sources referred to in this Letter of Offer and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy, the sponge iron industry or the steel industry are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

External Risk Factors

Our business is substantially affected by prevailing economic, political and other prevailing conditions in India and the other markets we currently service.

Our Company is incorporated in India, and all of our assets and employees are located in India. As a result, we are highly dependent on prevailing economic conditions in India and our results of operations are significantly affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and therefore our results of operations, may include:

- any increase in interest rates or inflation;
- any exchange rate fluctuation;
- any scarcity of credit or other financing in India, resulting in an adverse impact on the economic conditions in India and scarcity of financing of our developments and expansions;
- political instability, a change in government or a change in the economic and deregulation policies;
- domestic consumption and savings;
- balance of trade movements, namely export demand and movements in key imports (oil and oil products);
- annual rainfall in India which affects agricultural production;
- any exchange rate fluctuations;
- any scarcity of credit or other financing, resulting in scarcity of financing for our expansions;

- prevailing economic and income conditions among consumers and corporations;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- changes in tax, trade, fiscal or monetary policies, including application of GST;
- political instability, terrorism or military conflicts in India or in countries in the region or globally;
- occurrence of natural or man-made disasters;
- infectious disease outbreaks or other serious public health concerns;
- prevailing regional or global economic conditions, including in India's principal export markets;
- other significant regulatory or economic developments in or affecting India or its iron or steel sector;
- increase in India's trade deficits or such trade deficits becoming unmanageable; and
- decline or future material decline in India's foreign exchange reserves.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact our business, results of operations and financial condition and the price of the Equity Shares. Our performance and the growth of our business depend on the performance of the Indian economy and the economies of the regional markets we currently serve. These economies could be adversely affected by various factors, such as political and regulatory changes including adverse changes in liberalization policies, social disturbances, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in these economies could adversely affect the ability of our customers to afford our services, which in turn would adversely impact our business and financial performance and the price of the Equity Shares.

High rates of inflation in India could increase our costs without proportionately increasing our revenues, and as such decrease our operating margins. Any slowdown or perceived slowdown in the Indian economy, or in specific sectors thereof, could adversely impact our business, results of operations and financial condition and the price of the Equity Shares.

If India's trade deficits increase or become unmanageable, the Indian economy, and therefore our business, future financial performance, cash flows and the trading price of the Equity Shares could be adversely affected.

A decline or future material decline in India's foreign exchange reserves could impact the valuation of the Rupee and could result in reduced liquidity and higher interest rates which could adversely affect our financial condition and future financial performance.

Changing laws, rules and regulations and legal uncertainties including adverse application of tax laws and regulations such as application of Goods and Service Tax, may adversely affect our business results of operations, cash flows and financial performance.

Our business and financial performance could be adversely affected by changes in law or interpretations of existing, or the promulgation of new, laws, rules and regulations in India applicable to us and our business. There can be no assurance that the central or the state governments may not implement new regulations and policies which will require us to obtain approvals and licenses from the governments and other regulatory bodies or impose onerous requirements and conditions on our operations. Any change in such RBI regulation may have a severe impact on our businesses outside India or any expansion plans that involve support from our local operations. Any new regulations and policies and the related uncertainties with respect to the implementation of the new regulations may have a material adverse effect on all our business, financial condition and results of operations. In addition, we may have to incur capital expenditures to comply with the requirements of any new regulations, which may also materially harm our results of operations. The Government of India has enacted the Central Goods and Services Tax Act, 2017 which lays down a comprehensive national GST regime which has combined taxes and levies collected by the central and state governments into a unified rate structure. This legislation was notified and made effective from July 1, 2017.

The Government has also proposed major reforms in Indian tax laws with respect to the provisions relating to the general anti-avoidance rule ("GAAR"). As regards GAAR, the provisions have been introduced in the Finance Act, 2012 and have come into effect from April 1, 2017. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income-tax Act; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the Indian tax authorities have

wide powers, including denial of tax benefit or a benefit under a tax treaty. As the taxation system is intended to undergo significant overhaul, its consequent effects on us cannot be determined at present and there can be no assurance that such effects would not adversely affect our business and future financial performance.

The consequences of the GAAR provisions being applied to an arrangement could result in denial of tax benefit amongst other consequences. In the absence of any precedents on the subject, the application of these provisions is uncertain. The application of various Indian tax laws, rules and regulations to our business, currently or in the future, is subject to interpretation by the applicable taxation authorities. If such tax laws, rules and regulations are amended, new adverse laws, rules or regulations are adopted or current laws are interpreted adversely to our interests, the results could increase our tax payments (prospectively or retrospectively) and / or subject us to penalties. Further, changes in capital gains tax or tax on capital market transactions or sale of shares could affect investor returns. As a result, any such changes or interpretations could have an adverse effect on our business and financial performance.

Our Statutory Auditors are subject to a SEBI order dated January 10, 2018, as modified by an order of the Securities Appellate Tribunal (“SAT”) dated January 19, 2018, a further order of the SAT dated February 15, 2018 (“SAT Order 2”) and the order of the Supreme Court of India dated December 7, 2018 that may hinder their ability to issue certificates or undertake an audit in respect of our Company pending final adjudication of their appeal(s) and may require us to change our Statutory Auditors.

Price Waterhouse & Co Chartered Accountants LLP are the current Statutory Auditors of our Company. On January 10, 2018, SEBI passed an order (the “**SEBI Order**”) against entities and firms practicing as chartered accountants in India under the brand and banner of Price Waterhouse (together, “**PW Entities**”), which includes our Statutory Auditors. The SEBI Order related to alleged violations by PW Entities in connection with audit services provided to Satyam Computer Services Limited. The SEBI Order provided, amongst other things, that:

- entities / firms practicing as Chartered Accountants in India under the brand and banner of PW, shall not directly or indirectly issue any certificate of audit of listed companies, or issuing any certificate on compliance of obligations of listed companies and intermediaries registered with SEBI and the requirements under the SEBI Act, the SCRA, the Depositories Act, those provisions of the Companies Act which are administered by SEBI under Section 24 thereof or the rules, regulations and guidelines made under those Acts which are administered by SEBI for a period of two years; and
- listed companies and intermediaries registered with SEBI shall not engage any audit firm forming part of the PW network, for issuing any certificate with respect to compliance of statutory obligations which SEBI is competent to administer and enforce, under various laws for a period of two years.

While the SEBI Order came into force with immediate effect on January 10, 2018, it provided that in order to remove operational difficulties, the SEBI Order will not impact audit assignments relating to the Fiscal 2017-18 already undertaken by the firms forming part of the PW network.

On January 19, 2018, basis appeals filed by PW Entities, the SAT passed an order (“**SAT Order 1**”) clarifying that the SEBI Order will not impact assignments in respect of existing clients already undertaken by PW Entities in respect of Fiscal 2018, and that PW Entities would complete certification work with them as on the date of SAT Order 1. Moreover, the SAT directed PW Entities to give a list of existing clients to the SAT and SEBI; our Company was included in that list.

SAT Order 2 extended the cut-off date mentioned in the SEBI Order to March 31, 2019 or until a newly constituted bench of the SAT takes an appropriate final decision in the matter, whichever is earlier. Further, the Supreme Court vide order dated December 7, 2018 (“**SC Order**”) on an application filed by PW Entities ordered that the interim order of SAT Order 2 would continue till March 31, 2019 or until a properly constituted Tribunal decides the appeal. In light of the SAT Order 2 subsequently read along with the SC Order, our auditors are currently able to continue with their ongoing engagement to audit our Company and deliver the necessary certificates for the Offer. However, there is no guarantee whether or when the SAT will issue a final decision on the appeals as referred to in SAT Order 2. In the meanwhile, our Company will evaluate the continuance of Price Waterhouse & Co Chartered Accountants LLP as statutory auditors of our Company, as per applicable law and intervening orders of the authorities seized with the matter. If we change our Statutory Auditor, such change may require, among other things, the approval of the shareholders through a special resolution. We cannot assure you that we will be able to change our Statutory Auditors, if required to do so, in a timely manner. Any such delay may lead to a delay in the completion of the required work by the auditor and hence result in a concomitant delay with regards the Offer.

Financial instability in other countries, particularly countries with emerging markets, could disrupt Indian markets and our business and cause the trading price of the Equity Shares to decrease.

The Indian financial markets and the Indian economy are influenced by the economic and market conditions in other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in other financial systems may cause volatility in Indian financial markets, including with respect to the movement of exchange rates and interest rates in India, and, indirectly, in the Indian economy in general. Any such continuing or other significant financial disruption could have an adverse effect on our business, financial results and the trading price of the Equity Shares.

Changes in the policies of, or changes in, the Indian Government, could adversely affect economic conditions in India, and thereby adversely impact our results of operations and financial condition.

India remains our largest market, representing 79.95 % of our total revenues in Fiscal 2019. In addition, our manufacturing facilities and power plants are located in India. Consequently, we may be affected by changes to Central Government policies, changes in the Central Government itself, or any other political instability in India. For example, rising interest rates, increases in taxation or the creation of new regulations could have a detrimental effect on the Indian economy generally and our business in particular.

The Central Government has sought to implement a number of economic reforms in recent years and has also continued the economic liberalization policies pursued by previous Central Governments. However, the roles of the Central Government and the state governments in the Indian economy as producers, consumers and regulators have remained significant. Any significant change in such liberalization and deregulation policies could adversely affect business and economic conditions in India generally which may have an adverse effect on the Company's results of operations and financial condition.

The business and activities of the Company, as applicable, may be regulated by the Competition Act, 2002.

The Competition Act seeks to prevent business practices that have a material adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause a material adverse effect on competition in India is void and attracts substantial monetary penalties.

Any agreement that directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market, or number of customers in the market is presumed to have a material adverse effect on competition. Provisions of the Competition Act relating to the regulation of certain acquisitions, mergers or amalgamations which have a material adverse effect on competition and regulations with respect to notification requirements for such combinations came into force on June 1, 2011. The effect of the Competition Act on the business environment in India is unclear and it is difficult to predict its impact on the growth and expansion strategies of the Company. If the Company, as applicable, is affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the Competition Commission of India ("CCI"), or any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission of India, it may have a material adverse effect on its business, prospects, results of operations, cash flows and financial condition.

If regional hostilities, terrorist attacks or social unrest in India increase, our businesses could be adversely affected.

India has from time to time experienced instances of civil unrest, terrorist attacks and hostilities with neighbouring countries. These hostilities and tensions could lead to political or economic instability in India and have a possible adverse effect on the Indian economy, the Company's business, prospects, results of operations, cash flows and financial condition and future financial performance. India has also experienced localized social unrest and communal disturbances in some parts of the country. If such tensions become more widespread, leading to overall political and economic instability, it could have an adverse effect on our business, future financial performance and cash flows.

In addition, our current facilities are located in geographically remote areas that may be at risk of terror attacks. Such attacks may be directed at Company property or personnel, at property belonging to the Company's customers or at the state-owned infrastructure used by the Company to transport goods to customers. Such attacks,

or the threat of such attacks, whether or not successful, may disrupt the Company's operations and / or delivery of goods, result in increased costs for security and insurance and may adversely impact the Company's business, results of operations, financial condition and prospects, as well as place the Company's assets and personnel at risk.

If natural disasters occur in India, our results of operations and financial condition could be adversely affected.

India has experienced floods, lightning strikes, earthquakes, tsunamis, cyclones and droughts in recent years. Recently, in May 2019, an extremely severe cyclonic storm 'Fani' hit the coastal land of Odisha and West Bengal. Such natural catastrophes could disrupt our operations, production capabilities or distribution chains or damage our facilities. In the event of any of the foregoing natural disasters, the ability of the Company to produce and distribute sponge iron and steel may be adversely affected. There can be no assurance that such events will not occur in the future, or that its business, results of operations, financial condition and prospects will not be adversely affected.

Health epidemics and natural calamities in Asia or elsewhere could adversely affect the Indian economy or our business and the price of the Equity Shares.

Since 2003, outbreaks of Severe Acute Respiratory Syndrome in Asia, avian influenza across Asia and Europe, Ebola virus in western Africa, Zika virus in South America and Influenza A (H1N1) across the world have adversely affected a number of countries and companies. Any future outbreak of infectious diseases or other serious public health epidemics may have a negative impact on the economies, financial markets and level of business activity in affected areas, which may adversely affect our business. India has also experienced natural calamities such as earthquakes, floods, drought and a tsunami in the past. The length and severity of these natural disasters determine the extent of their impact on the Indian economy. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy. Any future outbreak of infectious disease among humans and / or animals or any other serious public health concerns or the occurrence of any natural calamities could materially and adversely affect our business, prospects, financial condition, cash flows and results of operations, and the price of the Equity Shares.

Our Company's ability to raise foreign capital may be constrained by Indian law

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, there can be no assurance that the required approvals will be granted to us without onerous conditions or on favourable terms or at all. Limitations on raising foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

Any downgrade of India's sovereign debt rating by an international rating agency could have a negative impact on the Company's results of operations and financial condition.

Any downgrade by international rating agencies of the credit rating for India's sovereign debt rating may impact the Company's ability to raise additional financing and the interest rates and commercial terms on which such additional financing is available. This could have an adverse effect on the Company's ability to obtain financing to fund its growth on favourable terms or at all and, as a result, could have an adverse effect on its business, results of operations, financial condition and prospects.

Differences exist between Ind AS and other accounting principles, such as IFRS and Indian GAAP, which may be material to investors' assessments of our financial condition.

Our Company has prepared the annual financial statements under Ind AS for the Fiscal 2019 as required under Section 133 of the Companies Act, 2013. We have adopted Ind AS with effect from April 1, 2016. In doing so, we were required to present comparative numbers for the previous Fiscal 2016, which were also prepared in compliance with Ind AS. As such, the date of transition to Ind AS for us is April 1, 2015, being the opening balance sheet of the comparative previous Fiscal. Given that Ind AS differs in many respects from Indian GAAP (previous GAAP), our historical financial statements relating to any period prior to Fiscal 2016 may not be comparable to the audited consolidated and standalone financial statements prepared under Ind AS.

Ind AS and other accounting standards like IFRS differ in certain respects including first time adoption choices available. We have not attempted to quantify the impact of IFRS on the financial data included in this Letter of

Offer, nor do we provide a reconciliation of our financial statements to those of Ind AS with IFRS. Accordingly, the degree to which the financial statements prepared under earlier Indian GAAP, Ind AS and other accounting principles, such as IFRS, will provide meaningful information is entirely dependent on the reader's level of familiarity with these standards. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Letter of Offer should accordingly be limited.

A third party could be prevented from acquiring control of us because of anti-takeover provisions under Indian law.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the SEBI SAST Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors / shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company. Consequently, if a potential takeover of our Company would result in the purchase of the Rights Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of SEBI SAST Regulations.

Any future issuance of Equity Shares by our Company may dilute your shareholding and sales of our Equity Shares by our Promoter or other major shareholders may adversely affect the trading price of the Equity Shares.

We may be required to finance our growth through future equity offerings. Any future equity issuances by us, including a primary offering, may lead to the dilution of investors' shareholdings in our Company. Pursuant to a SEBI letter dated May 24, 2019, SEBI has permitted our Promoter to subscribe to additional Rights Equity Shares in the Issue and exceed the maximum non-public shareholding requirement of 75% in order to achieve the minimum subscription requirements in the Issue, i.e. 90% of the Issue Size under the SEBI ICDR Regulations. As a result of such additional subscription, the shareholding of our Promoter may exceed 75% of the post-Issue capital of our Company and our Company will be required to reduce such shareholding of the Promoter to comply with SEBI Listing Regulations and SCRR in such manner and within the time period (which is one year from the date of Allotment) as prescribed by SEBI. Any future equity issuances by us or sale of our Equity Shares by our Promoter or other major shareholders may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of our Equity Shares.

Investors may have difficulty enforcing judgments against our Company or their management in the Indian courts.

We are a public limited company incorporated under the laws of India. All of our directors and executive officers are residents of India and our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons outside of India, or to enforce judgments obtained against such parties outside of India. Recognition and enforcement of foreign judgments is provided for under Section 13 of the Code of Civil Procedure, 1908, ("CPC") on a statutory basis. Section 13 of the CPC provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. Under the CPC, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record. Such presumption may be displaced by proving that the court did not have jurisdiction.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the CPC provides that where a foreign judgment has been rendered by a superior court, within the meaning of that Section, in any country or territory outside of India which the Indian central government has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the CPC is applicable

only to monetary decrees, which are dissimilar to amounts payable in respect of taxes, other charges of a like nature, a fine or other penalties.

Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court would, if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy or Indian practice. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. However, a party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under FEMA, to execute such a judgment or to repatriate any amount recovered.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely affect our financial condition.

India's foreign exchange reserves have declined in the past. Any future declines in foreign exchange reserves could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates that could adversely affect our future financial condition and the market price of the Equity Shares.

Inflation in India could have an adverse effect on our profitability and if significant, on our financial condition.

Inflation is typically impacted by factors such as governmental policies, regulations, commodity prices, liquidity and global economic environment. Any change in the government or a change in the economic and deregulation policies could adversely affect the inflation rates. Continued high rates of inflation may increase our costs such as salaries, travel costs and related allowances, which are typically linked to general price levels. There can be no assurance that we will be able to pass on any additional costs to our clients or that our revenue will increase proportionately corresponding to such inflation. Accordingly, high rates of inflation in India could have an adverse effect on our profitability and, if significant, on our financial condition.

Increases in the prices of crude oil could adversely affect the Indian economy, which could adversely affect our business, financial condition, results of operations and cash flows.

India imports a substantial portion of its crude oil requirement. While oil prices have declined from their peak levels, any sharp increase in oil prices and the pass-through of such increases to Indian consumers could have a material negative impact on the Indian economy and on the Indian financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit, which could adversely affect our business, financial condition, results of operations and cash flows.

Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could have a negative impact on our business.

We are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is referred to as "systemic risk," may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Our transactions with these financial institutions expose us to credit risk in the event of default by the counter party, which can be exacerbated during periods of market illiquidity. As the Indian financial system operates within an emerging market, we face risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business, financial condition, results of operations and cash flows.

Rights of shareholders under Indian laws may be more limited than under the laws of other jurisdictions.

Indian legal principles related to corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law, including those related to class actions, may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder in an Indian company than as a shareholder of a corporation in another jurisdiction.

You may be subject to Indian taxes arising out of capital gains on sale of the Rights Equity Shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of the equity shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed Equity Shares on a stock exchange which is subjected to securities transaction tax (“STT”) held for more than 12 months will be subject to capital gains tax in India. STT will be levied on and collected by a domestic stock exchange on which the Rights Equity Shares are sold. Any gain realized on the sale of the Rights Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax at higher rate with indexation benefits in India. Further, any gain realized on the sale of listed Rights Equity Shares held for a period of 12 months or less which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to short term capital gains tax at a relatively higher rate as compared to the transaction where STT has been paid in India.

Capital gains arising from the sale of the Rights Equity Shares will be exempt from taxation in India in cases where the exemption is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Rights Equity Shares.

The Central Board of Direct Taxes has issued a notification dated October 1, 2018, specifying the nature of acquisitions in respect of which requirement of payment of STT would not apply. For further details, please refer to section titled “*Statement of Tax Benefits*” beginning on page 66.

Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.

Under the Companies Act, any company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the shares voted on such resolution, unless our Company has obtained government approval to issue without such rights. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Rights Equity Shares, your proportional interests in us would be reduced.

The entitlement of Rights Equity Shares to be allotted to investors applying for Allotment in physical form, may be kept in abeyance.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form will not be available after a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., May 10, 2019. Since, the Rights Equity Shares offered pursuant to this Issue will be Allotted only after May 10, 2019, the entitlement of Rights Equity Shares to be Allotted to the Applicants who have applied for Allotment of the Rights Equity Shares in physical form will be kept in abeyance in electronic mode by our Company until the Applicants provide details of their demat account particulars to the Registrar.

You may not receive the Rights Equity Shares that you subscribe to in the Issue until fifteen days after the date on which the Issue closes, which will subject you to market risk.

The Rights Equity Shares that you subscribe to in the Issue may not be credited to your demat account with the depository participants until approximately fifteen days from the Issue Closing Date. You can start trading such Rights Equity Shares only after receipt of the listing and trading approvals from the Stock Exchanges in respect thereof. There can be no assurance that the Rights Equity Shares allocated to you will be credited to your demat account, or that trading in the Rights Equity Shares will commence within the specified time period, subjecting you to market risk for such period.

There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder’s ability to sell, or the price at which it can sell the Equity Shares at a particular point in time.

We are subject to a daily “circuit breaker” imposed by the Stock Exchanges, which does not allow transactions beyond certain specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges. The maximum movement allowed in the price of the Equity Shares before the circuit breaker is triggered is determined by the Stock Exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchanges will inform us of the triggering point of the circuit breaker in effect from time to time, but it may change without our knowledge. This circuit break will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance that shareholders will be able to sell the Equity Shares at their preferred price or at all at any particular point in time.

SECTION III - SUMMARY OF THE LETTER OF OFFER

Our Business

We are one of India's largest merchant sponge iron manufacturers (*Source: Sponge Iron Manufacturers Association*). We also manufacture steel products. We are also engaged in the sale of power generated from the waste heat emanating from our sponge iron production process.

Objects of the Issue

Our Company intends to utilize the Net Proceeds from the Issue towards funding of the following objects:

<i>(in Rs. Lakhs)</i>		
Sr. No	Particulars	Amount
1.	Repayment / pre-payment / redemption, in part, of certain outstanding borrowings availed by our Company	(●)
2.	Expenses to be incurred towards general corporate purposes	(●)
Total		(●)

Intention and Extent of Participation by the Promoter in the Issue

Our Promoter, by way of its letter dated June 8, 2019 (the "**Promoter Letter**") has undertaken to subscribe to the full extent of its Rights Entitlement in the Issue. In addition to subscription to its Rights Entitlement, our Promoter has reserved the right to subscribe to additional Rights Equity Shares for any unsubscribed portion in the Issue, up to the extent permitted by the SEBI as specified below.

Pursuant to a SEBI letter dated May 24, 2019, SEBI has permitted our Promoter to subscribe to additional Rights Equity Shares in the Issue and exceed the maximum non-public shareholding requirement of 75% in order to achieve the minimum subscription requirements in the Issue, i.e. 90% of the Issue Size, under the SEBI ICDR Regulations. As a result of such additional subscription, the shareholding of our Promoter may exceed 75% of the post-Issue capital of our Company and our Company will be required to reduce such shareholding of the Promoter to comply with SEBI Listing Regulations and SCRR in such manner and within the time period (which is currently within one year from the date of Allotment) as prescribed by SEBI.

Financial Details

Certain financial details of our Company as per the Financial Statements are as follows:

Particulars	<i>(in Rs. Lakhs, unless otherwise stated)</i>		
	As at and for the Financial Year ended March 31,		
	2019	2018	2017
Equity Share capital	1,540.00	1,540.00	1,540.00
Net worth	1,08,362.74	98,652.60	86,492.26
Revenue from operations	99,205.30	81,664.54	61,516.07
Profit for the year	12,438.67	14,087.95	5,877.04
Basic and Diluted Earnings Per Share (in Rs.)	80.77	91.48	38.16
Net asset value per Equity Share (in Rs.)	703.65	640.60	561.64
Total Borrowings (as per balance sheet)	-	-	-

Auditor Qualifications

There are no auditor qualifications which have not been given effect to, in the Financial Statements.

Outstanding Litigation and Defaults

The summary of material pending litigation involving us is set out below:

Nature of cases	No. of outstanding cases	Amount involved (in Rs. Lakhs)
Proceedings against our Company		
Criminal Proceedings	4	Not Ascertainable
Civil Proceedings	1	1,921.84
Regulatory Proceedings	3	Not Ascertainable
Proceedings by our Company		
Civil Proceedings	6	10,485.42
Regulatory Proceedings	3	Not Ascertainable
Criminal Proceedings	3	Not Ascertainable
Tax Proceedings involving our Company		
Indirect Tax	2	5894.98
Other Matters		
Matters pertaining to Factories Act, 1948	5	Not Ascertainable
Public Interest Litigation	1	Not Ascertainable
Matters pertaining to land acquisition	1	Not Ascertainable

For further details, please refer to the section titled “*Outstanding Litigation and Defaults*” beginning on page 219.

Risk Factors

Please refer to the section titled “*Risk Factors*” beginning on page 15 for details about the risk factors.

Contingent Liabilities

As of March 31, 2019, our contingent liabilities that have not been provided for are as set out in the table below:

#	Particulars	Amount (in Rs. Lakhs)
A Claims against the Company, on a consolidated basis, not acknowledged as debts		
6.	Income tax	159.28
7.	Odisha entry tax	2,579.93
8.	Customs duty	3,818.44
9.	Demand from Ministry of Coal against Radhikapur coal block	3,250.00
10.	Demand from suppliers	152.13
B Other money for which the Company, on a consolidated basis, is contingently liable		
3.	Renewable energy purchase obligation	632.89
4.	Excise Duty	2,946.30

For further details about our contingent liabilities, please refer to the Financial Statements included in the section titled “*Financial Information*” beginning on page 103.

Related Party Transactions

For details about our related party transactions, please refer to the Financial Statements included in the section titled “*Financial Information*” beginning on page 103.

Financing Arrangements

There have been no financing arrangements whereby our Promoter, directors of our Promoter, Promoter Group, our Directors, and the relatives (as defined in the Companies Act, 2013) of our Directors, have financed the purchase, by any other person, of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Letter of Offer.

Details of Equity Shares Issued for Consideration Other than Cash

No Equity Shares have been issued by our Company for consideration other than cash as on the date of filing of this Letter of Offer.

SECTION IV – INTRODUCTION

THE ISSUE

The Issue has been authorized by a resolution of the Board passed at their meeting held on October 24, 2018, pursuant to Section 62 of the Companies Act.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the section titled “*Terms of the Issue*” beginning on page 236.

Issue details in brief	
Equity Shares subscribed and paid-up prior to the Issue	1,54,00,000 Equity Shares
Rights Equity Shares being offered by our Company	Up to (●) Rights Equity Shares aggregating to (●) lakhs
Rights Entitlement for Rights Equity Shares	(●) Rights Equity Shares for every (●) Equity Shares held on the Record Date
Fractional Entitlement	<p>The Rights Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of (●) Rights Equity Share for every (●) Equity Shares held as on the Record Date. For Rights Equity Shares being offered in this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than (●) Equity Shares or not in the multiple of (●) Equity Shares, the fractional entitlement of such Eligible Equity Shareholders shall be ignored in the computation of the Rights Entitlement. However, Eligible Equity Shareholders whose fractional entitlements are being ignored as above would be given preference in the Allotment of one additional Rights Equity Share each if they apply for additional Rights Equity Shares over and above their Rights Entitlement, if any.</p> <p>Those Eligible Equity Shareholders holding less than (●) fully paid-up Equity Shares, i.e., holding up to (●) fully paid-up Equity Shares, and therefore entitled to 'Zero' Rights Equity Shares under this Issue shall be dispatched a CAF with 'Zero' entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Rights Equity Shares and would be given preference in allotment of one additional Rights Equity Share if, such Eligible Equity Shareholders have applied for the additional Rights Equity Shares. However, they cannot renounce the same in favour of third parties. CAFs with zero entitlement will be non-negotiable / non-renounceable.</p>
Equity Shares subscribed and paid-up after the Issue (assuming full subscription for and Allotment of the Rights Entitlement)	Up to (●) Equity Shares
Record Date	(●), 2019
Face Value per Equity Share	Rs. 10
Issue Price	Rs. (●) per Rights Equity Share (including a premium of Rs. (●) per Equity Share) in the Issue.
Issue Size	Up to Rs. (●) lakhs
Terms of the Issue	Please refer to the section titled “ <i>Terms of the Issue</i> ” beginning on page 236 of this Letter of Offer.
Use of the proceeds of the Issue	Please refer to the section titled “ <i>Objects of the Issue</i> ” beginning on page 61 of this Letter of Offer.
Terms of Payment	The full amount of the Issue Price being Rs. (●) will be payable on application.
Security Codes	ISIN: INE674A01014 BSE: 513010 NSE: TATASPONGE

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from our Financial Statements. Our summary financial information presented below are in Indian Rupees and should be read in conjunction with the financial statements and the notes (including the significant accounting principles) thereto included in the section titled “*Financial Statements*” beginning on page 103.

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CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH, 2019

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
ASSETS		
(1) Non-current assets		
(a) Property, plant and equipment	21,973.09	14,666.50
(b) Capital work-in-progress	739.39	582.19
(c) Intangible assets	59.11	233.03
(d) Financial assets		
(i) Investments	12,155.56	7,171.68
(ii) Loans	11.28	15.29
(iii) Other financial assets	86.45	6,412.84
(e) Non current tax assets (net)	2,973.73	2,812.63
(f) Other non-current assets	24,822.36	17,478.59
Total non-current assets	62,820.97	49,372.75
(2) Current assets		
(a) Inventories	11,527.69	8,408.87
(b) Financial assets		
(i) Investments	12,217.37	12,800.83
(ii) Trade receivables	7,845.45	5,880.50
(iii) Cash and cash equivalents	16,320.64	11,251.88
(iv) Other bank balances	18,420.38	30,911.33
(v) Loans	227.03	252.20
(vi) Other financial assets	1,294.06	929.29
(c) Other current assets	1,771.13	1,628.34
Total current assets	69,623.75	72,063.24
Total assets	1,32,444.72	1,21,435.99
EQUITY AND LIABILITIES		
(1) Equity		
(a) Equity share capital	1,540.00	1,540.00
(b) Other equity	1,06,822.74	97,112.60
Total equity	1,08,362.74	98,652.60
(2) Liabilities		
Non-current liabilities		
(a) Provisions	1,190.03	1,168.89
(b) Deferred tax liabilities (net)	1,820.48	1,798.21
Total non-current liabilities	3,010.51	2,967.10
Current liabilities		
(a) Financial liabilities		
(i) Trade payables		
(A) total outstanding dues of micro enterprises and small enterprises	106.62	176.10
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	7,404.40	6,515.93
(ii) Other financial liabilities	425.23	422.78
(b) Other current liabilities	2,247.76	2,166.12
(c) Provisions	5,497.13	5,145.03
(d) Current tax liabilities (net)	5,390.33	5,390.33
Total current liabilities	21,071.47	19,816.29
Total liabilities	24,081.98	22,783.39
Total equity and liabilities	1,32,444.72	1,21,435.99

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2019

		Rs. in lacs	
		Year ended 31 March, 2019	Year ended 31 March, 2018
I	Revenue from operations	99,205.30	81,664.54
II	Other income	5,773.10	4,306.36
III	Total income (I + II)	1,04,978.40	85,970.90
IV	Expenses:		
	Cost of materials consumed	70,868.77	50,058.31
	Changes in inventories of finished goods	13.83	(473.47)
	Excise duty on sale of goods	-	1,647.81
	Employee benefits expense	4,486.75	4,180.44
	Finance costs	302.18	324.67
	Depreciation and amortisation expense	1,157.90	1,230.28
	Other expenses	9,366.87	7,982.29
	Total expenses (IV)	86,196.30	64,950.33
V	Profit before tax (III - IV)	18,782.10	21,020.57
VI	Tax expense:		
	(1) Current tax	6,575.00	7,099.00
	(2) Deferred tax	(231.57)	(166.38)
	Total tax expense (VI)	6,343.43	6,932.62
VII	Profit for the year (V - VI)	12,438.67	14,087.95
VIII	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	(a) Remeasurement gain / (loss) of the defined benefit plans	(9.59)	170.13
	(b) Income tax relating to above	3.35	(58.88)
	(c) Changes in fair value of FVOCI equity instruments	1,248.00	-
	(d) Income tax relating to above	(257.19)	-
IX	Total other comprehensive income	984.57	111.25
X	Total comprehensive income for the year (VII+VIII) (Comprising profit and other comprehensive income for the year)	13,423.24	14,199.20
XI	Earnings per equity share (face value of Rs. 10 each) :		
	(1) Basic (in Rs.)	80.77	91.48
	(2) Diluted (in Rs.)	80.77	91.48

SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH, 2019

		Rs. in lacs	
		Year ended 31 March, 2019	Year ended 31 March, 2018
A.	CASH FLOWS FROM OPERATING ACTIVITIES :		
	Net cash generated from/ (used in) from operating activities	10,025.19	4,108.16
B.	CASH FLOWS FROM INVESTING ACTIVITIES :		
	Net cash generated from/ (used in) from investing activities	(1,243.33)	(21,305.16)
C.	CASH FLOWS FROM FINANCING ACTIVITIES :		
	Net cash generated from/ (used in) from financing activities	(3,713.10)	(2,019.20)
	Net increase / (decrease) in cash or cash equivalents (A+B+C)	5,068.76	(19,216.20)

GENERAL INFORMATION

Our Company was originally incorporated as “*Ipitata Sponge Iron Limited*” on July 31, 1982, as a public limited company, under the provisions of the Companies Act, 1956. Subsequently, the name of our Company was changed to “*Tata Sponge Iron Limited*” with effect from September 24, 1996.

Registered and Corporate Office

Tata Sponge Iron Limited

P.O. Joda, District Keonjhar,

Odisha 758 034

Tel: +91 67 6727 8122

E-mail: investorcell@tatasponge.com

Website: www.tatasponge.com

CIN: L27102OR1982PLC001091

Company Registration Number: 001091

Address of the RoC

Our Company is registered with the RoC, which is situated at the following address:

Registrar of Companies

Corporate Bhawan, 3rd Floor,

Plot No. 9 (P), Sector – 1, CDA,

Cuttack 753 014, Odisha.

Board of Directors

The following table sets forth details of the Board:

Sr. No	Name	Designation	Address	DIN
1.	Prakash Chandra Parakh	Independent Director	4-A1 Jaagruthi Residency, East Marredpally, Secunderabad – 500 026	01305775
2.	Dipak Kumar Banerjee	Independent Director	57A, Garcha Road, Ballygunge, Kolkata - 700019	00028123
3.	Manoj Thankachan Thomas	Independent Director	H. No. 74, A-Block, XLRI Campus, C.H. Area, Bistupur, Jamshedpur – 831 001	03614981
4.	Omkar Nath Mohanty	Independent Director	Plot No. 200, Unit- 3, Kharavel Nagar, Bhubaneswar – 751 001	03058576
5.	Meena Lall	Non-Executive, Non-Independent Director	B-228, 2 nd Floor, Greater Kailash-1, New Delhi – 110 049	05133322
6.	Sanjay Kumar Pattnaik	Managing Director	Plot No. 337, Gautam Nagar, Bhubaneswar, Odisha - 751014	00256832
7.	Sougata Ray	Additional Director (Independent & Non-Executive)	NF - 3/16, Indian Institute of Management Calcutta, Joka, Kolkata – 700104.	00134136
8.	Narendran Viswanath Thachat	Additional Director (Non-Independent & Non-Executive)	No.5, ‘C’ Road, Northern Town, Jamshedpur - 831001	03083605
9.	Koushik Chatterjee	Additional Director (Non-Independent & Non-Executive)	NCPA Residential Apt, A Wing, 22nd Floor, Flat No. 221, Nariman Point, Mumbai - 400021	00004989
10.	Ashish Anupam	Additional Director (Non-Independent & Non-Executive)	F 1/2 River View Enclave, Telco Colony, Tatanagar, Jamshedpur, Jharkhand – 831004	08384201

Chief Risk & Compliance Officer and Company Secretary

Sanjay Kasture

P.O. Joda, District Keonjhar,
Odisha 758 034
Tel: +91 67 6727 8178
E-mail: skasture@tatasponge.com

Lead Managers to the Issue

Centrum Capital Limited

Centrum House
C.S.T. Road, Vidyanagari Marg
Kalina, Santacruz (East)
Mumbai 400 098
Tel: +91 22 4215 9000
Fax: +91 22 4215 9444
E-mail: tsil.rights@centrum.co.in
Investor Grievance Email: igmbd@centrum.co.in
Website: www.centrum.co.in
Contact Person: Sugandha Kaushik
SEBI Registration Number: INM000010445

Axis Capital Limited

1st floor, Axis House
C 2 Wadia International Centre
Pandurang Budhkar Marg, Worli
Mumbai 400 025
Tel: +91 22 4325 2183
Fax: +91 22 4325 3000
E-mail: tatasponge.rights@axiscap.in
Investor Grievance E-mail: complaints@axiscap.in
Website: www.axiscapital.co.in
Contact Person: Sagar Jatakiya
SEBI Registration Number: INM000012029

SBI Capital Markets Limited

202, Maker Tower 'E',
Cuffe Parade,
Mumbai 400 005.
Tel: +91 22 2217 8300
Fax: +91 22 2217 8332
E-mail: tatasponge.rights@sbicaps.com
Investor Grievance E-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact person: Aditya Deshpande / Karan Savardekar
SEBI Registration Number: INM000003531

Legal Counsel to the Company as to Indian Law

J. Sagar Associates

Vakils House,
18 Sprott Road
Ballard Estate
Mumbai 400001
Maharashtra
Tel: +91 22 4341 8600

Legal Counsel to the Lead Managers as to Indian Law

L&L Partners*

Indiabulls Finance Centre
Tower 2, Unit A2, 20th Floor
Elphinstone Road, Senapati Bapat Marg,
Mumbai 400 013

Tel: +91 22 6630 3600

**Formerly known as Luthra & Luthra Law Offices*

Statutory Auditors of the Company

Price Waterhouse & Co Chartered Accountants LLP

Plot nos 56 & 57, Block DN-57
Sector V, Salt Lake Electronics Complex
Kolkata, West Bengal 700 091

Tel: +91 33 23579100

E-mail: ri.sm@in.pwc.com

Firm Registration Number: 304026E / E-300009

Peer Review Certificate Number: 011323

Registrar to the Issue

Link Intime India Private Limited

C-101, 1st Floor, 247 Park,
Lal Bahadur Shastri Marg
Vikhroli (West)
Mumbai 400 083

Tel: +91 22 4918 6200

Fax: +91 22 4918 6195

E-mail: tatasponge.rights@linkintime.co.in

Investor Grievance E-mail: tatasponge.rights@linkintime.co.in

Website: www.linkintime.co.in

Contact Person: Sumeet Deshpande

SEBI Registration Number: INR000004058

Investors may contact the Registrar or our Chief Risk & Compliance Officer and Company Secretary for any Issue related matter. All grievances relating to the ASBA process may be addressed to the Registrar, with a copy to the SCSBs, giving full details such as name, address of the applicant, contact number(s), e-mail ID of the first holder, folio number or demat account number, serial number of the CAF, number of Rights Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the CAF, or the plain paper application, as the case may be, was submitted by the ASBA Investors along with a photocopy of the acknowledgement slip. For further details on the ASBA process, please refer to the section titled “*Terms of the Issue*” beginning on page 236.

Experts

Our Company has received consent from its Statutory Auditors, Price Waterhouse & Co Chartered Accountants LLP through its letter dated (●) to include its name in this Letter of Offer in respect of the Financial Statements and as an “expert” as the Companies Act, 2013 to the extent and in its capacity as an auditor and in respect of the reports issued by it included in this Letter of Offer and such consent has not been withdrawn as of the date of this Letter of Offer. However, the term “expert” shall not be construed to mean an “expert” as defined under the Securities Act, 1933.

Additionally, our Company has also received consent from Deloitte Haskins & Sells LLP, Chartered Accountants through its letter dated (●) to include its name as required under Section 26 of the Companies Act, 2013 in this Letter of Offer in respect of the statement of tax benefits as an “expert” as defined under Section 2(38) of the Companies Act, 2013 and such consent has not been withdrawn as of the date of this Letter of Offer. However, the term “expert” shall not be construed to mean an “expert” as defined under the Securities Act, 1933.

Bankers to the Issue / Escrow Collection Banks

Axis Bank Limited

7, Shakespeare Sarani
Kolkata 700071

Tel: +91 33 2282 9832-37

E-mail: calcutta.operationshead@axisbank.com,

Website: www.axisbank.com

Contact Person: Chiranjit Basumallik and Joyita Kar

HDFC Bank Limited

HDFC Bank Limited,
FIG- OPS Department- Lodha,
I Think Techno Campus O-3 Level,
Kanjurmarg (East)
Mumbai 400042

Tel: +91 30752927/28/2914

E-mail: Vincent.Dsouza@hdfcbank.com, Siddharth.Jadhav@hdfcbank.com, Prasanna.Uchil@hdfcbank.com

Website: www.hdfcbank.com

Contact Person: Vincent Dsouza, Siddharth Jadhav and Prasanna Uchil.

ICICI Bank Limited

ICICI Bank Tower
Near Chakli Circle
Old Padra Road
Vadodra 390007

Tel: +91 22 6681 8911

E-mail: kmr.saurabh@icicibank.com

Website: www.icicibank.com

Contact Person: Saurabh Kumar

Refund Bank

Axis Bank Limited

7, Shakespeare Sarani
Kolkata 700071

Tel: +91 33 2282 9832-37

E-mail: calcutta.operationshead@axisbank.com,

Website: www.axisbank.com

Contact Person: Chiranjit Basumallik and Joyita Kar

Self-Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as the SCSBs for the ASBA process is provided on the website of SEBI at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> and updated from time to time. For a list of branches of the SCSBs named by the respective SCSBs to receive the ASBA Forms from the Designated Intermediaries, please refer to the above-mentioned link.

Issue Schedule

Issue Opening Date	(●)
Last date for receiving requests for SAFs	(●)
Issue Closing Date	(●)
Date of Allotment (on or about)	(●)
Date of credit (on or about)	(●)
Date of listing (on or about)	(●)

Investors are advised to ensure that the CAFs are submitted on or before the Issue Closing Date. Our Company, the Lead Managers or the Registrar to the Issue will not be liable for any loss on account of non-submission of

CAFs on or before the Issue Closing Date.

Statement of Inter-se Allocation of Responsibilities

Sr. No.	Activity	Responsibility	Co-ordinating Lead manager
1.	Capital structuring with the relative components and formalities such type of instrument, number of instruments to be issued, etc.	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Centrum Capital Limited
2.	Coordination for drafting and design of the Letter of Offer as per the SEBI ICDR Regulations, SEBI Listing Regulations and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI.	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Centrum Capital Limited
3.	Assist in drafting, design of the Abridged Letter of Offer, CAF, etc	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Centrum Capital Limited
4.	Selection of various agencies connected with Issue, such as Registrar to the Issue, printers, advertising agencies, Monitoring Agency, etc., as may be applicable.	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Centrum Capital Limited
5.	Liasoning with the Stock Exchanges for obtaining in-principle approval and completion of prescribed formalities with the Stock Exchanges and SEBI.	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Centrum Capital Limited
6.	Assist in drafting and approval of all publicity material including statutory advertisements	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	SBI Capital Markets Limited
7.	Formulation and coordination of Institutional marketing strategy	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Centrum Capital Limited
8.	Non-Institutional & Retail Marketing of the Offer, which will cover, inter alia: <ul style="list-style-type: none"> • Formulating marketing strategies; • Finalising collection centres; and • Follow-up on distribution of publicity and Offer material including application form, letter of offer. 	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Axis Capital Limited
9.	Post-issue activities, which shall involve essential follow-up steps including follow-up with bankers to the issue and Self Certified Syndicate Banks to get quick estimates of collection and advising the Bank about the closure of the issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as registrars to the issue, bankers to the issue, Self-Certified Syndicate Banks, etc. and coordination of underwriting arrangement, if any	Centrum Capital Limited, Axis Capital Limited and SBI Capital Markets Limited	Axis Capital Limited

Credit Rating

As the Issue is of Rights Equity Shares, there is no requirement of credit rating for the Issue.

Debenture Trustee

As the Issue is of Rights Equity Shares, the appointment of a debenture trustee is not required.

Monitoring Agency

Axis Bank Limited

7, Shakespeare Sarani

Kolkata 700071

Tel: +91 33 2282 9832-35

E-mail: calcutta.operationshead@axisbank.com

Website: www.axisbank.com

Contact Person: Chiranjit Basumallik

Our Company has appointed Axis Bank Limited as the Monitoring Agency to monitor the utilization of the Net Proceeds in terms of Regulation 82 of the SEBI ICDR Regulations.

Appraising Entity

None of the purposes for which the Net Proceeds are proposed to be utilized have been financially appraised by any banks or financial institution or any other independent agency.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, our Company shall refund the entire subscription amount within the prescribed time in accordance with Regulation 86 of the SEBI ICDR Regulations. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Pursuant to a SEBI letter dated May 24, 2019, SEBI has permitted our Promoter to subscribe to additional Rights Equity Shares in the Issue and exceed the maximum non-public shareholding requirement of 75% in order to achieve the minimum subscription requirements in the Issue, i.e. 90% of the Issue Size, under the SEBI ICDR Regulations. As a result of such additional subscription, the shareholding of our Promoter may exceed 75% of the post-Issue capital of our Company and our Company will be required to reduce such shareholding of the Promoter to comply with SEBI Listing Regulations and SCRR in such manner and within the time period (which is currently within one year from the date of Allotment) as prescribed by SEBI.

Underwriting

The Issue is not underwritten.

Filing

This Letter of Offer is being filed with the Designated Stock Exchange as per the provisions of the SEBI ICDR Regulations. Further, in terms of Regulation 71(8) of the SEBI ICDR Regulations, our Company will simultaneously while filing this Letter of Offer with the Designated Stock Exchange, submit a copy of this Letter of Offer with SEBI at its office located at Plot No.C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051, Maharashtra.

CAPITAL STRUCTURE

The share capital of our Company as on the date of this Letter of Offer is as provided below:

(in Rs. lakhs, except share data)

Particulars	Aggregate Value at Face Value	Aggregate Value at Issue Price
AUTHORIZED SHARE CAPITAL		
7,50,00,000 Equity Shares of face value of Rs. 10 each	7,500.00	-
20,00,00,000 Non-Convertible Redeemable Preference Shares of face value of Rs. 100 each	2,00,000.00	-
Total Authorized Share Capital	2,07,500.00	-
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE		
1,54,00,000 Equity Shares of face value of Rs. 10 each fully paid-up	1,540.00	-
PRESENT ISSUE IN TERMS OF THIS LETTER OF OFFER*		
(●) Equity Shares of Rs. (●) each at a premium of Rs. (●) i.e. at a price of Rs. (●)	(●)	(●)
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE ISSUE*		
(●) Equity Shares of Rs. (●) each	(●)	-
SECURITIES PREMIUM ACCOUNT		
Before the Issue	Nil	-
After the Issue**	(●)	-

* The Issue has been authorized by the Board at its meeting held on October 24, 2018.

** Assuming full subscription of the Issue and not adjusting for the expenses of the Issue.

Notes to the Capital Structure:

- Our Promoter and Promoter Group have not acquired any Equity Shares in the one year immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange.
- Except as disclosed in this Letter of Offer, no Equity Shares held by the Promoter and the Promoter Group have been locked-in, pledged or encumbered as of the date of this Letter of Offer.
- Our Promoter, by way of its letter dated June 8, 2019, (the “**Promoter Letter**”) has undertaken to subscribe to the full extent of its Rights Entitlement in the Issue. In addition to subscription to its Rights Entitlement, our Promoter has reserved the right to subscribe to additional Rights Equity Shares for any unsubscribed portion in the Issue, up to the extent permitted by the SEBI as specified below.

Pursuant to a SEBI letter dated May 24, 2019, SEBI has permitted our Promoter to subscribe to additional Rights Equity Shares in the Issue and exceed the maximum non-public shareholding requirement of 75% in order to achieve the minimum subscription requirements in the Issue, i.e. 90% of the Issue Size, under the SEBI ICDR Regulations. As a result of such additional subscription, the shareholding of our Promoter may exceed 75% of the post-Issue capital of our Company and our Company will be required to reduce such shareholding of the Promoter to comply with SEBI Listing Regulations and SCRR in such manner and within the time period (which is currently within one year from the date of Allotment) as prescribed by SEBI.

- There are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into the Equity Shares as on the date of filing of this Letter of Offer.
- The ex-rights price of the Equity Shares as per Regulation 10(4)(b) of SEBI SAST Regulations in connection with the Issue is Rs. (●).

6. If our Company does not receive the minimum subscription of 90% of the Issue, our Company shall refund the entire subscription amount within the prescribed time. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Please note that pursuant to a SEBI letter dated May 24, 2019, SEBI has permitted our Promoter to subscribe to additional Rights Equity Shares in the Issue and exceed the maximum non-public shareholding requirement of 75% in order to achieve the minimum subscription requirements in the Issue, i.e. 90% of the Issue Size, under the SEBI ICDR Regulations. As a result of such additional subscription, the shareholding of our Promoter may exceed 75% of the post-Issue capital of our Company and our Company will be required to reduce such shareholding of the Promoter to comply with SEBI Listing Regulations and SCRR in such manner and within the time period (which is currently within one year from the date of Allotment) as prescribed by SEBI.

7. At any given time, there shall be only one denomination of the Equity Shares.
8. All Equity Shares are fully paid-up, and there are no partly paid-up Equity Shares, as on the date of this Letter of Offer. For further details on the terms of the Issue, please refer to the section titled “*Terms of the Issue*” beginning on page 236.

Shareholding pattern of our Company as on March 31, 2019

A. Shareholding pattern of the Equity Shares of our Company as on March 31, 2019

Category	Category of shareholder	Nos. of shareholders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of shares under lying Depository Receipts	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)	Number of Voting Rights held in each class of securities			No. of Shares Underlying Outstanding convertible securities (including Warrants)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form	
								No of Voting Rights		Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held		
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII) = (IV)+(V)+(VI)	(VIII) As a % of (A+B+C2)	(IX)			(X)	(XI) = (VII)+(X) As a % of (A+B+C2)	(XII)		(XIII)		(XIV)	
								Class eg: X	Class eg: y	Total								
								(a)	(b)	(a)	(b)							
(A)	Promoter & Promoter Group	1	8393554	0	0	8393554	54.50	8393554	0	8393554	54.50	0	54.50	0	0.00	0	0.00	8393554
(B)	Public	41127	7006446	0	0	7006446	45.50	7006446	0	7006446	45.50	0	45.50	0	0.00	NA		6415354
(C)	Non-Promoter-Non Public	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA		0
(C1)	Shares underlying DRs	0	0	0	0	0	NA	0	0	0	0.00	0	0.00	0	0.00	NA		0
(C2)	Shares held by Employee Trusts	0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA		0
Total		41128	15400000	0	0	15400000	100.00	15400000	0	15400000	100.00	0	100.00	0	0.00	0	0.00	14808908

B. Statement showing shareholding pattern of persons belonging to the category “Promoter and Promoter Group” as on March 31, 2019

	Category & Name of the Shareholders	PAN	No. of shareholder	No. of fully paid up equity shares held	Partly paid-up equity shares held	Nos. of shares underlying Depository Receipts	Total nos. shares held	Share holding % calculated as per SCR, 1957	Number of Voting Rights held in each class of securities			No. of Shares Underlying Outstanding convertible securities (including Warrants)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form			
									(IX)					(X)	(XI) = (VII)+(X) as a % of A+B+C2	(XII)			(XIII)		
									No of Voting Rights							Total as a % of Total Voting rights	No.		As a % of total Shares held	No.	As a % of total shares held
									Class X	Class Y	Total										
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII = IV+V+VI)	As a % of (A+B+C2) (VIII)				(X)	(XI)	(XII)	(XIII)	(XIV)						
(1)	Indian																				
(a)	Individuals / Hindu undivided Family		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
(b)	Central Government/ State Government(s)		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
(c)	Financial Institutions/ Banks		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
(d)	Any Other (specify)																				
(i)	Bodies Corporate																				
	(i) Tata Steel Limited		1	8393554	0	0	8393554	54.50	8393554	0	8393554	54.50	0	54.50	0	0.00	0	0.00	8393554		
	Sub-Total (A)(1)		1	8393554	0	0	8393554	54.50	8393554	0	8393554	54.50	0	54.50	0	0.00	0	0.00	8393554		
(2)	Foreign																				
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
(b)	Government		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
(c)	Institutions		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
(d)	Foreign Portfolio Investor		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
(e)	Any Other (specify)		0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0.00	0			
	Sub-Total (A)(2)		0	0	0	0	0.00	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0		
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)		1	8393554	0	0	8393554	54.50	8393554	0	8393554	54.50	0	54.50	0.00	0.00	0.00	0.00	8393554		

C. Statement showing shareholding of persons belonging to the category "Public" as on March 31, 2019

	Category & Name of the Shareholders	P A N	Nos. of shareholder	No. of fully paid up equity shares held	Partly paid-up equity shares held	Nos. of shares under lying in Depository Receipts	Total nos. shares held	Shareholding % calculated as per SCRR, 1957	Number of Voting Rights held in each class of securities			No. of Shares Underlying Outstanding convertible securities (including Warrants)	Total Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form	
									(IX)		(X)			(XI) = (VII)+(X) as a % of A+B+C2	(XII)		(XIII)		
									No of Voting Rights						Total as a % of Total Voting rights	No.	As a % of total Shares held		No. (not applicable)
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII = IV+V+VI)	As a % of (A+B+C2) (VIII)												
(1)	Institutions																		
(a)	Mutual Funds/UTI		3	264933	0	0	264933	1.72	264933	0	264933	1.72	0	1.72	0	0.00	NA	263383	
	(i)Reliance Capital Trustee Co. Ltd-A/C Reliance Small Cap Fund		1	253383	0	0	253383	1.65	253383	0	253383	1.65	0	1.65	0	0.00	NA	253383	
(b)	Venture Capital Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0	
(c)	Alternate Investment Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0	
(d)	Foreign Venture Capital Investors		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0	
(e)	Foreign Portfolio Investors		19	533026	0	0	533026	3.46	533026	0	533026	3.46	0	3.46	0	0.00	NA	533026	

	Category & Name of the Shareholders	P A N	Nos. of shareholder	No. of fully paid up equity shares held	Partly paid-up equity shares held	Nos. of shares underlying Depository Receipts	Total nos. shares held	Shareholding % calculated as per SCRR, 1957	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Total Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form			
									(IX)						(X)	(XI) = (VII)+(X) as a % of A+B+C2	(XII)			(XIII)		(XIV)
									No of Voting Rights		Total as a % of Total Voting rights						No.	As a % of total Shares held		No. (not applicable)	As a % of total shares held (Not applicable)	
(f)	Financial Institutions/ Banks		10	51610	0	0	51610	0.34	51610	0	51610	0.34	0	0.34	0	0.00			NA			46410
(g)	Insurance Companies		1	100000	0	0	100000	0.65	100000	0	100000	0.65	0	0.65	0	0.00	NA	100000				
(h)	Provident Funds/ Pension Funds		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0				
(i)	Any Other (specify)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0				
Sub-Total (B)(1)			33	949569	0	0	949569	6.17	949569	0	949569	6.17	0	6.17	0	0.00	NA	942819				
(2)	Central Government/ State Government(s)/ President of India		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0				
Sub-Total (B)(2)			0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0	NA	0				
(3)	Non-institutions																					
(a)	Individuals -		38988	4892784	0	0	4892784	31.77	4892784	0	4892784	31.77	0	31.77	0	0.00	NA	4315472				
	i. Individual shareholders holding nominal share		38978	4410032	0	0	4410032	28.64	4410032	0	4410032	28.64	0	28.64	0	0.00	NA	3832720				

	Category & Name of the Shareholders	P A N	Nos. of shareholder	No. of fully paid up equity shares held	Partly paid up equity shares held	No. of shares under lying in Depository Receipts	Total nos. shares held	Shareholding % calculated as per SCRR, 1957	Number of Voting Rights held in each class of securities			No. of Shares Underlying Outstanding convertible securities (including Warrants)	Total Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares or pledged otherwise encumbered		Number of equity shares held in dematerialized form
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII = IV+V+VI)	As a % of (A+B+C2) (VIII)	(IX)			(X)	(XI = (VII)+(X) as a % of A+B+C2)	(XII)		(XIII)		(XIV)
									No of Voting Rights		Total as a % of Total Voting rights			No.	As a % of total Shares held	No. (not applicable)	As a % of total shares held (Not applicable)	
	capital up to Rs. 2 lakhs.																	
	ii. Individual shareholders holding nominal share capital in excess of Rs. 2 lakhs.		10	482752	0	0	482752	3.13	482752	0	482752	3.13	0	3.13	0	0.00	NA	482752
(b)	NBFCs registered with RBI		4	2442	0	0	2442	0.02	2442	0	2442	0.02	0	0.02	0	0.00	NA	2442
(c)	Employee Trusts		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0
(d)	Overseas Depositories (holding DRs) (balancing figure)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0
(e)	Any Other (specify)																	
	(i) Bodies Corporate		310	278580	0	0	278580	1.81	278580	0	278580	1.81	0	1.81	0	0.00	NA	271980
	(ii) Clearing Members		203	250239	0	0	250239	1.62	250239	0	250239	1.62	0	1.62	0	0.00	NA	250239

Category & Name of the Shareholders	P A N	Nos. of shareholder	No. of fully paid up equity shares held	Partly paid-up equity shares held	Nos. of shares underlying Depository Receipts	Total nos. shares held	Shareholding % calculated as per SCRR, 1957	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Total Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares or pledged otherwise encumbered		Number of equity shares held in dematerialized form			
								(IX)						(X)	(XI) = (VII)+(X) as a % of A+B+C2	(XII)			(XIII)		(XIV)
								No of Voting Rights		Total as a % of Total Voting rights						No.	As a % of total Shares held		No. (not applicable)	As a % of total shares held (Not applicable)	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII = IV+V+VI)	As a % of (A+B+C2) (VIII)														
(iii) Limited Liability Partnership - LLP		19	105756	0	0	105756	0.69	105756	0	105756	0.69	0	0.69	0	0.00	NA		105756			
(iv) NRI		752	166929	0	0	166929	1.08	166929	0	166929	1.08	0	1.08	0	0.00	NA		166499			
(v)HUF		814	183374	0	0	183374	1.19	183374	0	183374	1.19	0	1.19	0	0.00	NA		183374			
(v) Trusts		3	3850	0	0	3850	0.03	3850	0	3850	0.03	0	0.03	0	0.00	NA		3850			
(VI)IEPF SUSPENCE ACCOUNT		1	172923	0	0	172923	1.12	172923	0	172923	1.12	0	1.12	0	0.00	NA		172923			
Sub-Total (B)(3)		41094	6056877	0	0	6056877	39.33	6056877	0	6056877	39.33	0	39.33	0	0	0		5472535			
Total Public Shareholding (B)= (B)(1)+(B)(2)+(B)(3)		41127	7006446	0	0	7006446	45.50	7006446	0	7006446	45.50	0	45.50	0	0.00	NA		6415354			

D. Statement showing shareholding pattern of the “Non-Promoter – Non-Public” Shareholders as on March 31, 2019

(I)	Category & Name of the Shareholders	PAN	No. of share holder	No. of fully paid up equity shares held	Partly paid-up equity shares held	Nos. of shares underlying Depository Receipts	Total nos. shares held	Share holding % calculated as per SCR R, 1957	Number of Voting Rights held in each class of securities			No. of Shares Underlying Outstanding convertible securities (including Warrants)	Total Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form		
									(IX)		(X)			(XI) = (VII)+(X) as a % of A+B+C2	(XII)		(XIII)		(XIV) (Not Applicable)	
									No of Voting Rights						Total as a % of Total Voting rights	No .	As a % of total Shares held			No. (not applicable)
						(VII = IV+V+VI)	As a % of (A+B+C2) (VIII)	Class X	Class Y	Total			(a)	(b)	(a)	(b)				
(1)	Custodian/DR Holder		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0		
(a)	Name of DR Holder (if available)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	NA	-		
(2)	Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	0	0		
	Total Non-Promoter- Non Public Shareholding (C)= (C)(1)+(C)(2)		0	0	0	0	0	0.00	0	0	0	0.00	0	0.00	0	0.00	NA	0		

E. Statement showing shareholding pattern of Shareholders holding more than 1% of the Equity Share Capital as on March 31, 2019

	Category & Name of the Shareholders	No. of fully paid up equity shares held	Partly paid-up equity shares held	Nos. of shares underlying Depository Receipts	Total nos. shares held	Shareholding % calculated as per SCRR, 1957	Number of Voting Rights held in each class of securities				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Total Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form									
							(I)	(IV)	(V)	(VI)			(VII = IV+V+VI)	As a % of (A+B+C2) (VIII)	(IX)			(X)	(XI) = (VII)+(X) as a % of A+B+C2	(XII)		(XIII)		(XIV) (Not Applicable)		
															No of Voting Rights					Total as a % of Total Voting rights	No.	As a % of total Shares held	No. (not applicable)		As a % of total shares held (Not applicable)	
															Class X	Class Y										Total
1	Tata Steel Limited	8393554	0	0	8393554	54.50	8393554	0	8393554	54.50	0	0.00	0	0.00	NA	8393554										
2	Reliance Capital Trustee Co. Ltd-A/C Reliance Small Cap Fund	253383	0	0	253383	1.65	253383	0	253383	1.65	0	0.00	0	0.00	NA	253383										

OBJECTS OF THE ISSUE

The objects as stated in the Memorandum of Association enable our Company to undertake its existing activities and the activities for which the funds are being raised by our Company through the Issue.

Our Company intends to utilize the Net Proceeds from the Issue towards funding of the following objects:

1. Repayment / pre-payment / redemption, in part, of certain outstanding borrowings availed by our Company; and
2. Expenses to be incurred towards general corporate purposes.

Proceeds of the Issue

The details of the proceeds of the Issue are summarized in the table below:

(in Rs. Lakhs)

Particulars	Amount
Gross proceeds to be raised from the Issue	(●)
Less: Estimated Issue related expenses	(●)
Net Proceeds	(●)

Utilization of Net Proceeds

The details of the proposed utilization of Net Proceeds are summarized in the table below:

(in Rs. Lakhs)

Sr. No	Particulars	Amount
1.	Repayment / pre-payment / redemption, in part, of certain outstanding borrowings availed by our Company	(●)
2.	Expenses to be incurred towards general corporate purposes	(●)
	Total	(●)

Proposed Schedule of Implementation and Deployment of Net Proceeds

Our Company proposes to deploy the entire Net Proceeds towards the aforesaid objects during Fiscal 2020 depending upon various factors including the actual timing of the completion of the Issue and the receipt of the Net Proceeds.

The following table provides the schedule of utilisation of the Net Proceeds:

(in Rs. Lakhs)

Sr. No.	Particulars	Amount to be utilised in Fiscal 2020
1.	Repayment / pre-payment / redemption, in part, of certain outstanding borrowings availed by our Company	(●)
2.	Expenses towards general corporate purposes	(●)
	Total	(●)

In the event that the Net Proceeds are not utilized towards the objects of the Issue in Fiscal 2020, the same would be utilized in subsequent Fiscals for achieving the objects of the Issue.

Means of Finance

The funding requirements mentioned above are based on the internal management estimates of our Company and have not been appraised by any bank, financial institution or any other external agency. They are based on current circumstances of our business and our Company may have to revise its estimates from time to time on account of various factors beyond our control. Consequently, the funding requirements of our Company and deployment schedules are subject to revision in the future at the discretion of the management. If additional funds are required for the purposes as mentioned above, such requirement may be met through internal accruals, additional capital infusion, debt arrangements or any combination of them. Further, in the event of any shortfall of funds for any of the activities proposed to be financed out of the Net Proceeds, our Company may re-allocate the Net Proceeds to the activities where such shortfall has arisen, subject to compliance with applicable laws. Since our Company is not proposing to fund any specific project from the Net Proceeds, the requirement to make firm arrangements of finance through verifiable means towards 75% of the stated means of finance for such project proposed to be funded from the Net Proceeds does not arise.

Details of the objects of the Issue

The details in relation to the objects of the Issue are set forth below:

1. Repayment / pre-payment / redemption, in part, of certain outstanding borrowings availed by our Company

Our Company has entered into certain financing arrangements with banks, financial institutions and other entities. The borrowing arrangements entered into by our Company comprise commercial papers. As on May 31, 2019, our Company had gross outstanding borrowings amounting to Rs. 4,00,000 lakhs.

Our Company proposes to utilize an amount of Rs. (●) lakhs from the Net Proceeds towards repayment / pre-payment / redemption, in part, of certain outstanding borrowings, availed by our company. Our Company may repay / pre-pay / redeem / refinance / roll over, in part, some of its existing borrowings in the ordinary course of business. Accordingly, our Company may utilize the Net Proceeds for repayment / pre-payment / redemption, in part, of any such refinanced / rolled over borrowings obtained by it.

We believe that such repayment, pre-payment or redemption will help reduce our outstanding indebtedness and enable utilization of our accruals for further investment in business growth and expansion. In addition, we believe that the leverage capacity of our Company will improve significantly to raise further resources in the future to fund our potential business development opportunities and plans to grow and expand our business in the coming years.

Borrowings availed by our Company

The following table provides the details of the borrowings availed by our Company:

Sr. No.	Issuing and Paying Agent	Nature of Borrowing	Amount Borrowed (in Rs. Lakhs)	Principal Amount Outstanding as on May 31, 2019¹ (in Rs. Lakhs)	Amount Proposed to be repaid / prepaid / redeemed (in Rs. Lakhs)	Repayment Date / Schedule	Purpose	Pre-payment Clause, if any
1.	HDFC Bank Limited	Commercial Papers - Short Term Loan	4,00,000*	4,00,000	(●)	The date of maturity for the commercial papers is June 25, 2019.	Bridge financing for the purpose of acquisition	Not Applicable

* Comprising 80,000 units of commercial papers of face value of Rs. 5,00,000 each

The aggregate outstanding borrowings amount may vary from time to time. Given the nature of our current outstanding borrowings and the terms of repayment or pre-payment or redemption, we may enter into further financing arrangements, such as, by way of rolling over the existing commercial papers or issuing new commercial papers and draw down of funds thereunder or other short term borrowings for repayment or pre-payment of our current outstanding borrowings prior to the completion of the Issue. In such cases we may utilize the Net Proceeds towards repayment or pre-payment or redemption of such financing arrangements.

In the event Net Proceeds are insufficient for the said payment of pre-payment penalty or premiums, such payment shall be made from the internal accruals of our Company. For details, please refer to the section titled “Risk Factors” beginning on page 15.

2. Expenses to be incurred towards general corporate purposes

Our Company proposes to deploy the balance portion of Net Proceeds aggregating to Rs. (●) lakhs for the expenses towards general corporate purposes, subject to such utilization not exceeding 25% of the gross proceeds, in compliance with applicable laws.

Our Company, in accordance with the policies formulated by our Board, will have flexibility in applying Rs. (●) lakhs towards general corporate purposes, including, amongst other things, acquiring assets, such as furniture and fixtures, and vehicles, meeting any expenses incurred in the ordinary course of business by our Company, including salaries and wages, rent, administration expenses, insurance related expenses, and the payment of taxes and duties, repair, maintenance, renovation and upgradation of our existing offices and factory, and any other purpose as permitted by applicable laws and as approved by our Board or a duly appointed committee thereof.

¹ Note: As certified by (●) (Firm Registration Number: (●)) vide its certificate dated (●) Further, (●) have confirmed that the said borrowings have been utilized for the purposes for which they were availed. For further details, please refer to the section titled “Objects of the Issue -Repayment or pre-payment, of certain borrowings availed by our Company” beginning on page 62.

Estimated Issue Related Expenses

The estimated Issue related expenditure is as follows:

Sr. No	Particulars	Amount (in Rs. Lakhs)	Percentage of total estimated Issue Expenses (%)	Percentage of Issue Size (%)
1.	Fees of the Lead Managers	(●)	(●)	(●)
2.	Registrar's fees	(●)	(●)	(●)
3.	Fees of the Legal Advisors, other professional service providers and statutory fee	(●)	(●)	(●)
4.	Advertising and marketing expenses	(●)	(●)	(●)
5.	Fees of the regulators (including Stock Exchanges)	(●)	(●)	(●)
6.	Expenses in relation to printing and distribution of Issue stationary	(●)	(●)	(●)
7.	Other expenses (including miscellaneous expenses)	(●)	(●)	(●)
Total estimated Issue related expenses*		(●)	(●)	(●)

* Subject to finalisation of basis of allotment. In case of any difference between the estimated Issue related expenses and actual expenses incurred, the shortfall or excess shall be adjusted with the amount allocated towards general corporate purposes.

Bridge Financing Facilities

As on the date of this Letter of Offer, our Company has not availed any bridge loans from any banks or financial institutions towards the objects of the Issue, which are proposed to be repaid from the Net Proceeds.

Interim Use of Net Proceeds

Our Company shall deposit the Net Proceeds, pending utilisation (for the stated objects), with scheduled commercial banks included in the Second Schedule of the Reserve Bank of India Act, 1934, as amended.

Monitoring Utilization of Funds from the Issue

Our Company has appointed Axis Bank Limited as the Monitoring Agency in relation to the Issue. Our Board will monitor the utilization of the Net Proceeds, and the Monitoring Agency shall submit its report to the Board in terms of Regulation 82(2) of SEBI ICDR Regulations. Our Company will disclose the utilization of the Net Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilized. Our Company will indicate investments, if any, of unutilized Net Proceeds in the balance sheet of our Company for the relevant Fiscals subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Regulation 18(3) and 32(3) of SEBI Listing Regulations, our Company shall, on a quarterly basis, disclose to the Audit Committee, the uses and applications of the Net Proceeds. The report submitted by the Monitoring Agency will be placed before the Audit Committee of our Company, so as to enable the Audit Committee to make appropriate recommendations to our Board. Pursuant to Regulation 32(5), our Company shall, on an annual basis, prepare a statement of funds utilised for purposes other than those stated in this Letter of Offer and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilised. Such disclosure shall be made only until such time that all the Net Proceeds have been utilised in full. The statement shall be certified by the statutory auditors of our Company.

Further, according to Regulation 32(1) of SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges, on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilization of the proceeds of the Issue from the objects of the Issue as stated in this chapter; and (ii) details of category wise variations, if any,

in the proposed utilization of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results after review by the Audit Committee and its explanation in the Director's report in the Annual Report. Furthermore, our Company shall furnish to the Stock Exchanges any comments or report received from the Monitoring Agency, in accordance with Regulation 32(6) of the SEBI Listing Regulations, and such report of the Monitoring Agency shall be placed before the Audit Committee promptly upon its receipt, in accordance with Regulation 32(7) of the SEBI Listing Regulations.

Appraising Entity

None of the purposes for which the Net Proceeds are proposed to be utilized have been financially appraised by any banks or financial institution or any other independent agency.

Financial and Strategic Partners

Our Company does not have any financial or strategic partners to the objects of the Issue as of the date of this Letter of Offer.

Other Confirmations

No part of the proceeds from the Issue will be paid by our Company as consideration to its Promoter, Promoter Group, Directors or KMP, except in the normal course of its business.

STATEMENT OF TAX BENEFITS

(●), 2019

The Board of Directors
Tata Sponge Iron Limited
P.O. Joda, Dist. Keonjhar.
Odisha – 758 034

Dear Sirs / Madam,

Sub: Statement of possible Tax Benefits under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 (the “Regulations”) available in connection with proposed Rights Issue of Equity Shares (the “Rights Issue”) of Tata Sponge Iron Limited (the “Company”)

We refer to the proposed Rights Issue by the Company. We enclose herewith the statement showing the current positions of special/general tax benefits available to the Company and to its shareholders as per the provisions of Income-tax Act, 1961 and Income tax Rules, 1962 including amendments made by Finance Act 2019 as applicable to financial year 2019-20. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of Company or its shareholders to derive these tax benefits is dependent upon their fulfilling such conditions.

The possible tax benefits discussed in the enclosed Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company’s management. This statement is only intended to provide general information to investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Rights Issue particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. Neither are we suggesting nor are we advising the investor to invest money based on this statement.

The benefits discussed in the Statement are only intended to provide the tax benefits to the Company and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences of the subscription, purchase, ownership or disposal etc. of shares. The tax benefits listed herein are only the possible benefits which may be available under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws, which based on business imperative it faces in the future, it may or may not choose to fulfil.

We do not express any opinion or provide any assurance as to whether:

- (i) The Company or its shareholders will continue to obtain these benefits in future;
- (ii) The conditions prescribed for availing the benefits have been/would be met with;
- (iii) The revenue authorities/courts will concur with the views expressed herein.

The contents of the enclosed statement are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

We hereby give our consent to include enclosed statement regarding the tax benefits available to the Company and to its shareholders in the Letter of Offer for the Rights Issue which the Company intends to file to the Securities and Exchange Board of India, the BSE Limited, the National Stock Exchange of India Limited, the relevant Registrar of Companies in India and any other regulatory authorities in connection with the Rights Issue provided that the below statement of limitation is included in the Letter of Offer.

LIMITATIONS

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Rights Issue relying on the statement.

This statement has been prepared solely in connection with the Rights Issue under the Regulations as amended.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm Registration No. 117366W/W-100018)

JATIN P. KANABAR

Partner

Membership No. 107956

Mumbai, (●), 2019

ANNEXURE

The information provided below sets out the possible direct tax benefits available to the shareholders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on commercial imperatives a shareholder faces, may or may not choose to fulfill. We do not express any opinion or provide any assurance as to whether the Company or its shareholders will continue to obtain these benefits in future. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice.

Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the Rights Issue under the Regulations as amended.

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO TATA SPONGE IRON LIMITED (“COMPANY”) AND TO ITS SHAREHOLDERS

1. Under the Income-tax Act, 1961 (“the Act”)

I. Special tax benefits available to the Company

Deductions under section 80-IA in respect of profits derived from business of power

1. As per the provisions of section 80-IA(4)(iv)(a) of the Act, an undertaking which is set up in any part of India for the generation or generation and distribution of power if it begins to generate power at any time during the period beginning on the 1st day of April, 1993 and ending on the 31st day of March, 2017. The Company has been claiming the benefit under section 80-IA(4)(iv)(a) of the Act since assessment year 2006-07.

Additional Depreciation

2. Under section 32(1)(ia) of the Act, the Company engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power is entitled to claim additional depreciation of a sum equal to 20% of the actual cost of any new plant or machinery that is acquired and installed by the Company (other than ships and aircrafts) for 180 days or more during the year subject to conditions specified in said section of the Act. In case it is acquired and installed for less than 180 days during the year, additional depreciation at 10% is available. The balance 10% additional depreciation on new plant or machinery acquired and installed for less than 180 days in the previous year shall be allowed in the next year.

Research and Development Expenditure

3. The Company has been claiming the weighted deduction equal to 150% under section 35(1)(ii) of the Act on scientific research & development expenditure paid by the Company to a research association which has as its object the undertaking of scientific research or to a university, college or other institution to be used for scientific research. This deduction will be restricted to sum paid by the Company w.e.f. assessment year 2021-22.

II. General tax benefits available to the Company

Dividend Income and Other Income

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O received on the shares of any Indian company is exempt from tax. Such dividend is to be excluded while computing Minimum Alternate Tax (“MAT”) liability.
2. As per section 115BBD of the Act, the dividends received from a specified foreign company (i.e. where Indian company holds 26% or more of the equity share capital of foreign company) is taxable at the rate of 15% [plus applicable surcharge and Health and Education Cess (“cess”)] under the Act. However, at present, there is no foreign subsidiary company.
3. As per section 115-O of the Act, tax on distributed profits of domestic companies is chargeable to tax at 15% (plus applicable surcharge and cess). As per the proviso to section 115-O(1) of the Act, tax on deemed dividend under section 2(22)(e) of the Act is chargeable to tax at 30% (plus applicable surcharge and cess).

As per sub-section (1A) to section 115-O, the domestic Company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the Dividend Distribution Tax (“DDT”) if:

- a. the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or
- b. the dividend is received from a foreign subsidiary, the Company has paid tax payable under section 115BBD

However, the same amount of dividend shall not be taken into account for reduction more than once.

Further, the net distributed profits shall be increased to such amounts as would, after reduction of the tax on such increased amounts at the specified rate, be equal to the net distributed profits.

4. As per section 10(35) of the Act, the following income will be exempt in the hands of the Company:
 - a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
 - b) Income received in respect of units from the Administrator of the specified undertaking; or
 - c) Income received in respect of units from the specified company.

Such income is to be excluded while computing MAT liability.

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

Capital Gains

5. Capital assets may be categorized into short term capital assets or long term capital assets based on the period of holding. Capital assets being securities (other than a unit) listed in a recognised stock exchange in India or unit of Unit Trust of India or unit of an equity oriented fund or a zero coupon bond held by the assessee for a period of more than 12 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as long term capital gains (“LTCG”). Capital gains arising on sale of these assets held for 12 months or less are considered as short term capital gains (“STCG”).
6. Further, capital assets being shares of company not being a share listed in a recognized stock exchange in India or an immovable property, being land or building or both, held for a period exceeding 24 months should be considered as long term capital assets.

In respect of any other capital assets, the holding period should exceed 36 months to be considered as long term capital assets.

7. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred (other than Securities Transaction Tax (“STT”) paid) in connection with the transfer of capital asset, from the sale consideration to arrive at the amounts of capital gains.

However, in respect of LTCG arising on transfer of capital assets, other than bonds and debentures (excluding capital indexed bonds issued by the Government and Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015) and depreciable assets, is computed by deducting expenses incurred in relation to the transfer, the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.

The third proviso to section 48 of the Act provides that capital gains from the transfer of a long term capital assets referred in section 112A of the Act shall be taxed without giving benefit of first and second proviso to section 48 of the Act.

8. As per the provisions of section 50 of the Act, capital gain on the sale of an asset forming part of a block of assets in respect of which depreciation has been allowed under this Act shall be computed by reducing the net sales consideration from the block of asset. If the net sales consideration exceeds the written down value of the block of assets, such excess would result in STCG. If the net sales consideration is less than the written down value of the block of assets and the block of assets has been wiped out as a result of sale of asset, then it would result in STCL.
9. As per section 112A of the Act, capital gains exceeding Rs. 1 lakh arising on or after 1 April 2018, from the transfer of a long-term capital asset being an equity share in a company listed on a recognized stock exchange in India or unit of equity oriented mutual fund or a unit of business trust, shall be taxed at 10% (plus applicable surcharge and cess). Provided that STT has been paid on acquisition and transfer of such capital assets and in case of unit of equity oriented mutual fund or unit of a business trust, STT has been paid on transfer of such capital assets or if such transaction is undertaken on a recognised stock exchange located in an IFSC and consideration is paid in foreign currency.

However, all gains arising on above mentioned specified capital assets may be grandfathered upto 31 January 2018 by incorporating the mechanism to compute ‘cost of acquisition’ for such assets under section 55(2)(ac) of the Act.

As per the provisions of section 55(2)(ac) of the Act, the cost of acquisition of specified assets acquired prior to 1 February 2018 is higher of -

- (i) the cost of acquisition of capital asset; and
- (ii) lower of –
 - (A) fair market value of capital asset; and
 - (B) the full value of consideration received or accruing as a result of transfer of such capital asset.

In order to provide the applicability of the tax regime under section 112A of the Act to genuine cases where the STT could not have been paid, the Central Board of Direct Taxes (CBDT) vide Notification dated 1 October 2018 under section 112A(4) of the Act specified the nature of acquisitions in respect of which requirement of payment of STT would not apply. The Notification shall come into force with effect from 1 April 2019 and shall apply with effect from assessment year 2019-20 and subsequent assessment years.

As per section 112A(5) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such LTCG.

10. In accordance with section 112 of the Act, LTCG on sale of capital assets which are not chargeable to STT would be subject to tax at the rate of 20% (plus applicable surcharge and cess) with indexation benefits. However, as per the proviso to section 112 of the Act, if the tax on LTCG is resulting from transfer of listed securities (other than unit) or zero coupon bonds, then LTCG will be chargeable to tax at the rate lower of the following:

- a. 20% (plus applicable surcharge and cess) of the capital gains as computed after indexation of the cost; or
- b. 10% (plus applicable surcharge and cess) of the capital gains as computed without indexation

As per section 112(2) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such LTCG.

11. The base year for the purpose of indexation has been changed from 1 April 1981 to 1 April 2001.
12. As per section 54EE of the Act and subject to the conditions and to the extent specified therein, LTCG arising on the transfer of any long term capital asset would be exempt from tax, if the sale consideration is invested within six months of the transfer, in units of a specified fund, issued before 1 April 2019, of such funds as may be notified by the Central Government. The total deduction with respect to investment in the long term specified assets is restricted to Rs.50 lakhs when invested during the financial year in which the asset is transferred or subsequent year. Further, such units need to be held for a period of three years to avail the exemption.
13. As per section 111A of the Act, STCG arising to the Company from the sale of an equity share or a unit of an equity oriented fund or a unit of business trust, where such transaction is chargeable to STT will be taxable at the rate of 15% (plus applicable surcharge and cess). Further, STCG that are not liable to STT would be subject to tax as calculated under the normal provisions of the Act.

As per section 111A(2) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such STCG.

Business Income

14. Under section 36(1)(xv) of the Act, the amount of STT paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of business or profession" shall be allowable as a deduction against such Business Income.
15. The Company is entitled to a deduction under section 80G of the Act either for whole of the sum paid as donation to specified funds or institution or 50% of sums paid, subject to limits and conditions as provided in section 80G of the Act.

Set-off and carried forward of losses

16. As per section 70 of the Act, loss in respect of short term capital asset computed for the given year is allowed to be set off against STCG as well as LTCG computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years, for being set off against subsequent years' STCG as well as LTCG, in terms of section 74 of the Act.

As per section 70 of the Act, loss in respect of long term capital asset computed for a given year is allowed to be set off only against the LTCG. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG, in terms of section 74 of the Act.

17. As per section 72 of the Act, business loss (other than loss on speculation business), if any, for an assessment year can be carried forward and set off against business profits for eight subsequent years.
18. Unabsorbed depreciation, if any, for an assessment year can be carried forward indefinitely and set off against any sources of income in the same year or any subsequent assessment years as per section 32(2) of the Act subject to the provisions of section 72(2) and section 73(3) of the Act.

MAT credit

19. As per section 115JAA(1A) of the Act, credit is allowed in respect of any MAT paid under section 115JB of the Act for any assessment year commencing on or after 1st day of April 2006. Tax credit to be allowed shall

be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. The MAT credit is allowed to be set-off in the subsequent years to the extent of difference between MAT payable and the tax payable as per the normal provisions of the Act for that assessment year. The MAT credit shall not be allowed to be carried forward beyond fifteenth assessment year immediately succeeding the assessment year in which tax credit become allowable.

20. Further, the MAT credit to the extent of difference between the foreign tax credit allowed against MAT over such credit available against the tax under the normal provisions of the Act shall not be eligible to be carried forward.

III. General tax benefits available to Resident Shareholders

Dividend Income

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O received on the shares of any Indian company is exempt from tax
2. However, as per section 115BBDA of the Act, income by way of dividend in excess of Rs. 10 lakhs shall be chargeable to tax in the case of an assessee other than a domestic company, a fund or institution or trust or any university or other educational institutions or any hospital or other medical institutions referred to in section 10(23C)(iv), 10(23C)(v), 10(23C)(vi), 10(23C)(via), a trust or institutions registered under section 12A or section 12AA, who is resident in India, at the rate of ten percent (plus applicable surcharge and cess).
3. Also, section 14A of the Act restricts the claim for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn exempt dividend income is not an allowable expenditure.

Capital Gains

4. Capital assets may be categorized into short term capital assets or long term capital assets based on the period of holding. Capital assets being securities (other than a unit) listed in a recognised Stock Exchange in India held by the assessee for a period of more than 12 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as LTCG. Capital gains arising on sale of these assets held for 12 months or less are considered as STCG.
5. The period of holding for shares subscribed to by the shareholder on the basis of his right to subscribe to such shares or subscribed to by the person in whose favour the shareholder has renounced his right to subscribe to such shares, shall be reckoned from the date of allotment of such shares as provided under clause (d) to Explanation 1 to section 2(42A) of the Act.

The period of holding in the hands of shareholder, for the shares which are renounced in favour of any person, shall be reckoned from the date of the offer of such right shares by the Company as per clause (e) to Explanation 1 to section 2(42A) of the Act.

6. Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred (other than STT paid) in connection with the transfer of capital asset, from the sale consideration to arrive at the amounts of capital gains.

However, in respect of LTCG arising on transfer of capital assets, other than bonds and debentures (excluding capital indexed bonds issued by the Government and Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015) and depreciable assets, is computed by deducting expenses incurred in relation to the transfer, the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.

The third proviso to section 48 of the Act provides that capital gains from the transfer of a long term capital assets referred in section 112A of the Act shall be taxed without giving benefit of first and second proviso to section 48 of the Act.

7. As per section 112A of the Act, capital gains exceeding Rs 1 lakh arising on or after 1 April 2018, from the transfer of a long-term capital asset being an equity share in a company listed on a recognized stock exchange in India or unit of equity oriented mutual fund or a unit of business trust, shall be taxed at 10% (plus applicable surcharge and cess). Provided that STT has been paid on acquisition and transfer of such capital assets and in case of unit of equity oriented mutual fund or unit of a business trust, STT has been paid on transfer of such capital assets or if such transaction is undertaken on a recognised stock exchange located in an IFSC and consideration is paid in foreign currency.

However, all gains arising on above mentioned specified capital assets may be grandfathered upto 31 January 2018 by incorporating the mechanism to compute 'cost of acquisition' for such assets under section 55(2)(ac) of the Act.

As per the provisions of section 55(2)(ac) of the Act, the cost of acquisition of specified assets acquired prior to 1 February 2018 is higher of -

- (i) the cost of acquisition of capital asset; and
- (ii) lower of –
 - (A) fair market value of capital asset; and
 - (B) the full value of consideration received or accruing as a result of transfer of such capital asset.

In order to provide the applicability of the tax regime under section 112A of the Act to genuine cases where the STT could not have been paid, the CBDT vide Notification dated 1 October 2018 under section 112A(4) of the Act specified the nature of acquisitions in respect of which requirement of payment of STT would not apply. The Notification shall come into force with effect from 1 April 2019 and shall apply with effect from assessment year 2019-20 and subsequent assessment years.

As per section 112A(5) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such LTCG.

8. For the purpose of computation of 'Capital Gains', the 'cost of acquisition' as provided under section 55(2)(aa) of the Act would be as under:
- a. in relation to the original shares, on the basis of which the shareholder becomes entitled to any additional financial asset being right shares, the amount actually paid for acquiring the original shares;
 - b. in relation to renouncement of the right by the shareholder in favour of any person, to subscribe the shares, the cost would be taken as Nil, in the hands of such shareholder;
 - c. in relation to shares which the shareholder has subscribed on the basis of the said entitlement, the amount actually paid by him for acquiring such asset;
 - d. in relation to any shares purchased by any person in whose favour the right to subscribe to such asset has been renounced, the aggregate of the amount of the purchase price paid by him to the person renouncing such right and the amount paid by him to the Company for acquiring such shares.

In relation to cost of acquisition of original shares acquired prior to 1 February 2018, the provisions of section 55(2)(aa) of the Act has to be read with section 55(2)(ac) of the Act.

9. In accordance with section 112 of the Act, LTCG on sale of capital assets which are not chargeable to STT would be subject to tax at the rate of 20% (plus applicable surcharge and cess) with indexation benefits. However, as per the proviso to section 112 of the Act, if the tax on LTCG is resulting from transfer of listed securities (other than unit) or zero coupon bonds, then LTCG will be chargeable to tax at the rate lower of the following: -
- a. 20% (plus applicable surcharge and cess) of the capital gains as computed after indexation of the cost; or
 - b. 10% (plus applicable surcharge and cess) of the capital gains as computed without indexation

As per section 112(2) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such LTCG.

10. The base year for the purpose of indexation has been changed from 1 April 1981 to 1 April 2001.
11. As per section 54F of the Act, LTCG arising on the transfer of the shares of the company held by an Individual or Hindu Undivided Family (“HUF”) will be exempt from capital gains tax if the net consideration is utilized to purchase or construct one residential house in India. The residential house is required to be purchased within a period of one year before or two year after the date of transfer or to be constructed within three years after the date of transfer.
12. As per section 54EE of the Act and subject to the conditions and to the extent specified therein, LTCG arising on the transfer of any long term capital asset would be exempt from tax, if the sale consideration is invested within six months of the transfer, in units of a specified fund, issued before 1 April 2019 of such funds as may be notified by the Central Government. The total deduction with respect to investment in the long term specified assets is restricted to Rs.50 lakhs when invested during the financial year in which the asset is transferred or subsequent year. Further, such units need to be held for a period of three years to avail the exemption.
13. As per section 111A of the Act, STCG arising from the sale of equity shares of the company, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge and cess). Further, STCG that are not liable to STT would be subject to tax as calculated under the normal provisions of the Act.

As per section 111A(2) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such STCG.

14. No income tax is deductible at source from income by way of capital gains under the present provisions of the Act in case of residents.

Business Income

15. On facts of the case, where the investment in equity shares is considered as “stock-in-trade”, the income on transfer of such equity shares would be chargeable as under the head “Profits or gains from business or profession”.
16. Under section 36(1)(xv) of the Act, the amount of STT paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of business or profession" shall be allowable as a deduction against such Business Income.

Other Income

17. Under section 56(2)(x) of the Act and subject to exception provided therein, if any person receives from any person, any property, including, inter alia, shares of a company, without consideration or for inadequate consideration, the following shall be treated as 'Income from other sources' in the hands of the recipient:
 - a. where the shares are received without consideration, aggregate Fair Market Value ("FMV") exceeds Rs.50,000/-, the whole FMV;
 - b. where the shares are received for a consideration less than aggregate FMV but exceeding Rs. 50,000/-, the aggregate FMV in excess of the consideration paid.

Rule 11UA(1)(c) of the Income-tax Rules, 1962 ("the Rules") provides for the method for determination of the FMV of shares and securities.

Set-off and carry forward of losses

18. As per section 70 of the Act, loss in respect of short term capital asset computed for the given year is allowed to be set off against STCG as well as LTCG computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' STCG as well as LTCG, in terms of section 74 of the Act.

As per section 70 of the Act, loss in respect of long term capital asset computed for a given year is allowed to be set off only against the LTCG. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG, in terms of section 74 of the Act.

19. As per section 72 of the Act, business loss (other than loss on speculation business), if any, for an assessment year can be carried forward and set off against business profits for eight subsequent years.

IV. General tax benefits available to Non-Resident Shareholders

Dividend income

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O received on the shares of any Indian company is exempt from tax

Capital gains

2. Capital assets may be categorized into short term capital assets or long term capital assets based on the period of holding. Capital assets being securities (other than a unit) listed in a recognised Stock Exchange in India held by the assessee for a period of more than 12 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as LTCG. Capital gains arising on sale of these assets held for 12 months or less are considered as STCG.
3. The period of holding for shares subscribed to by the shareholder on the basis of his right to subscribe to such shares or subscribed to by the person in whose favour the shareholder has renounced his right to subscribe to such shares, shall be reckoned from the date of allotment of such shares as provided under clause (d) to Explanation 1 to section 2(42A) of the Act.

The period of holding in the hands of shareholder, for the shares which are renounced in favour of any person, shall be reckoned from the date of the offer of such right shares by the Company as per clause (e) to Explanation 1 to section 2(42A) of the Act.

4. As per first proviso to section 48 of the Act, in case of a non-resident shareholder, the capital gain/loss arising from transfer of shares of the company, acquired in convertible foreign exchange, is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares, and the capital gains so computed shall be reconverted into Indian currency. Cost Indexation benefit will not be available in such a case.
5. As per section 112A of the Act, capital gains exceeding Rs 1 lakh arising on or after 1 April 2018, from the transfer of a long-term capital asset being an equity share in a company listed on a recognized stock exchange in India or unit of equity oriented mutual fund or a unit of business trust, shall be taxed at 10% (plus applicable surcharge and cess). Provided that STT has been paid on acquisition and transfer of such capital assets and in case of unit of equity oriented mutual fund or unit of a business trust, STT has been paid on transfer of such capital assets or if such transaction is undertaken on a recognised stock exchange located in an IFSC and consideration is paid in foreign currency.

However, all gains arising on above mentioned specified capital assets may be grandfathered upto 31 January 2018 by incorporating the mechanism to compute 'cost of acquisition' for such assets under section 55(2)(ac) of the Act.

As per the provisions of section 55(2)(ac) of the Act, the cost of acquisition of specified assets acquired prior to 1 February 2018 is higher of -

- (i) the cost of acquisition of capital asset; and
- (ii) lower of –
 - (A) fair market value of capital asset; and
 - (B) the full value of consideration received or accruing as a result of transfer of such capital asset.

In order to provide the applicability of the tax regime under section 112A of the Act to genuine cases where the STT could not have been paid, the CBDT vide Notification dated 1 October 2018 under section 112A(4) of the Act specified the nature of acquisitions in respect of which requirement of payment of STT would not apply. The Notification shall come into force with effect from 1 April 2019 and shall apply with effect from assessment year 2019-20 and subsequent assessment years.

As per section 112A(5) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such LTCG.

6. For the purpose of computation of 'Capital Gains', the 'cost of acquisition' as provided under section 55(2)(aa) of the Act would be as under:
 - a. in relation to the original shares, on the basis of which the shareholder becomes entitled to the right shares, the amount actually paid for acquiring the original shares;
 - b. in relation to renouncement of the right by the shareholder in favour of any person, to subscribe the shares, the cost would be taken as Nil, in the hands of such shareholder;
 - c. in relation to shares which the shareholder has subscribed on the basis of the said entitlement, the amount actually paid by him for acquiring such asset;
 - d. in relation to any shares purchased by any person in whose favour the right to subscribe to such asset has been renounced, the aggregate of the amount of the purchase price paid by him to the person renouncing such right and the amount paid by him to the Company for acquiring such shares.
7. As per section 112 of the Act, LTCG on sale of capital assets which are not chargeable to STT would be subject to tax at the rate of 20% (plus applicable surcharge and cess) after giving effect to the first proviso to section 48 of the Act. If the tax payable on transfer of listed securities exceeds 10% (plus applicable surcharge and cess) of the LTCG, the excess tax shall be ignored for the purpose of computing tax payable by the assessee.

As per section 112(2) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such LTCG.

8. As per section 54EE of the Act and subject to the conditions and to the extent specified therein, LTCG arising on the transfer of any long term capital asset would be exempt from tax, if the sale consideration is invested within six months of the transfer, in units of a specified fund, issued before 1 April 2019, of such funds as may be notified by the Central Government. The total deduction with respect to investment in the long term specified assets is restricted to Rs.50 lakhs when invested during the financial year in which the asset is transferred or subsequent year. Further, such units need to be held for a period of three years to avail the exemption.
9. As per section 54F of the Act, LTCG arising on the transfer of the shares of the Company held by an Individual or HUF will be exempt from capital gains tax, if the net consideration is utilized to purchase or construct one residential house in India. The residential house is required to be purchased within a period of one year before or two years after the date of transfer or to be constructed within three years after the date of transfer.
10. As per section 111A of the Act, STCG arising from the sale of equity shares of the Company, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge and cess). Further, STCG as computed above that are not liable to STT would be subject to tax as calculated under the normal provisions of the Act.

As per section 111A(2) of the Act, no deduction under Chapter VIA of the Act shall be allowed from such STCG.

Business Income

11. On facts of the case, where the investment in equity shares is considered as “stock-in-trade”, the income on transfer of such equity shares would be chargeable under the head “Profits or gains from business or profession”.
12. Under section 36(1)(xv) of the Act, the amount of STT paid by an assessee in respect of taxable securities transactions offered to tax as "Profits and gains of business or profession" shall be allowable as a deduction against such Business Income.
13. As per Explanation 4 to section 115JB of the Act, the provisions of MAT do not apply to a foreign company if it is a resident of a country with which India has entered into a DTAA under section 90/90A of the Act and the assessee does not have a Permanent Establishment in India or such company is a resident of a country with which India does not have such agreement and the assessee is not required to seek registration under any law for the time being in force, relating to companies.

Other Income

14. Under section 56(2)(x) of the Act and subject to exception provided therein, if any person receives from any person, any property, including, inter alia, shares of a company, without consideration or for inadequate consideration, the following shall be treated as 'Income from other sources' in the hands of the recipient:
 - a. where the shares are received without consideration, aggregate Fair Market Value ("FMV") exceeds Rs.50,000/-, the whole FMV;
 - b. where the shares are received for a consideration less than aggregate FMV but exceeding Rs. 50,000/-, the aggregate FMV in excess of the consideration paid.

Rule 11UA(1)(c) of the Income-tax Rules, 1962 ("the Rules") provides for the method for determination of the FMV of shares and securities.

Set-off and carry forward of losses

15. As per section 70 of the Act, loss in respect of short term capital asset computed for the given year is allowed to be set off against STCG as well as LTCG computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' STCG as well as LTCG, in terms of section 74 of the Act.

As per section 70 of the Act, loss in respect of long term capital asset computed for a given year is allowed to be set off only against the LTCG for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off only against subsequent years' LTCG, in terms of section 74 of the Act.

16. As per section 72 of the Act, business loss (other than loss on speculation business), if any, for an assessment year can be carried forward and set off against business profits for eight subsequent years.

Benefit under the Double Taxation Avoidance Agreement (“DTAA”)

17. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the DTAA, if any, between India and the country in which the non-resident is considered resident in terms of such DTAA. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the DTAA to the extent they are more beneficial to the non-resident.

As per section 90(4) of the Act, the non-residents shall not be entitled to claim relief under section 90(2) of the Act, unless a certificate of their being a resident in any country outside India or specified territory outside India, is obtained by them from the government of that country or any specified territory. As per section 90(5) of the Act, the non-resident shall also be required to provide such other information as mentioned in Form 10F.

V. Special tax benefits available to Non-Resident Indians

1. As per section 115C(e) of the Act, the term “non-resident Indian” means an individual, being a citizen of India or a person of Indian origin who is not a “resident”. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grandparents, was born in undivided India.
2. As per section 115E of the Act, in the case of a shareholder being a non-resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, LTCG on transfer of the shares of the Company will be subject to tax at the rate of 10% (plus applicable surcharge and cess), without any indexation benefit.
3. As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a non-resident Indian, gains arising on transfer of a long term capital asset being shares of the Company, which were acquired, or purchased with or subscribed to in, convertible foreign exchange, will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then this exemption would be allowable on a proportionate basis. Further, if the specified asset or saving certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
4. As per section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
5. As per section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to investment income derived from the investment in equity shares of the Company as mentioned in section 115C(f)(i) of the Act for that year and subsequent assessment years until assets are converted into money.
6. As per section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act and declaring the choice made in such return, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
7. In a situation where the shareholder transfers the shares of the Company, which are held as ‘long-term capital assets’, the shareholder can consider availing the benefit as provided in sections 54EE and 54F of the Act. Shareholders being individuals can consider the conditions so stated in sections 54EE and 54F of the Act and examine the availability of the benefit based on their individual tax position.

VI. Special benefits available to Foreign Portfolio Investors (“FPI’s”)

1. As per section 2(14) of the Act, any securities held by a FPI who has invested in such securities in accordance with the regulations made under Securities & Exchange Board of India Act, 1992 would be treated as a capital

asset only so that any income arising from transfer of such security by a FPI would be treated in the nature of capital gains.

2. The provisions of indirect transfer in terms of Explanation 5 to section 9 of the Act shall not apply to non-resident investors in Category-I and Category-II FPI registered under Securities and Exchange Board of India (FPI) Regulations, 2014.
3. Under section 115AD(1)(ii) of the Act, income by way of STCG arising to the FPI on transfer of shares shall be chargeable at a rate of 30% (plus applicable surcharge and cess), where such transactions are not subjected to STT, and at the rate of 15% (plus applicable surcharge and cess) if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. The above rates are to be increased by applicable surcharge and cess.

Under section 115AD(1)(iii) of the Act, income by way of LTCG arising to the FPI on transfer of shares held in the company will be taxable at the rate of 10% (plus applicable surcharge and cess). The benefits of indexation of cost and of foreign currency fluctuations are not available to FPIs.

4. As per section 196D(2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD of the Act.

VII. Special benefits available to Alternative Investment Fund

1. Under section 10(23FBA), any income of an investment fund other than the income chargeable under the head "Profits and gains of business or profession" is exempt from income tax. For this purpose, an "Investment Fund" means a fund registered as Category I or Category II Alternative Investment Fund and is regulated under the SEBI (Alternative Investment Fund) Regulations, 2012.
2. As per section 115UB(1) of the Act, any income accruing/arising/received by a person from his investment in investment Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income accruing/arising/received by such person had the investments by the investment fund been made directly by him.
3. Under section 115UB(4) of the Act, the total income of an Investment Fund would be charged at the rate or rates as specified in the Finance Act of the relevant year where the Investment Fund is a company or a firm and at maximum marginal rate in any other case.
4. As per section 115UB(6) of the Act, the income accruing or arising to or received by the investment fund if not paid or credited to a person (who has investments in the investment fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.
5. There is no specific exemption provided under the Act for the income earned by the Category III Alternative Investment Fund. The taxability depends on the status of the Fund. In case the Fund is set-up as a 'Trust', the principles of trust taxation should apply based on the nature of the trust.

VIII. Special tax benefits available to Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India will be exempt from income tax, subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf.

As per section 196 of the Act, no tax is to be deducted from any income payable to a Mutual Fund specified under section 10(23D) of the Act.

NOTES:

1. The statement of tax benefits enumerated above is as per the Income-tax Act, 1961, as amended by the Finance Act, 2019.
2. Surcharge is levied on individuals, HUF, association of persons, body of individuals and artificial juridical person at the rate of 10% on tax where total income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore and at the rate of 15% on tax where the total income exceeds Rs. 1 crore.
3. Surcharge is levied on firm, co-operative society and local authority at the rate of 12% on tax where the total income exceeds Rs. 1 crore.
4. Surcharge is levied on domestic companies at the rate of 7% on tax where the income exceeds Rs 1 crore but does not exceed Rs. 10 crores and at the rate of 12% on tax where the income exceeds Rs. 10 crores.
5. Surcharge is levied on every company other than domestic company at the rate of 2% on tax where the income exceeds Rs. 1 crore but does not exceed Rs. 10 crores and at the rate of 5% on tax where the income exceeds Rs. 10 crores.
6. Surcharge is levied under section 115-O of the Act at 12% of the tax.
7. Health and Education Cess is to be applied at 4% on aggregate of base tax and surcharge.
8. Several of the above tax benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws and subject to General Anti Avoidance Rules covered under Chapter X-A of the Act.

SECTION V – ABOUT THE COMPANY

OUR BUSINESS

The following information should be read together with the information contained in the sections “Risk Factors” and “Financial Statements” beginning on pages 15 and 103, respectively. Some of the information in this section, including information with respect to our plans and strategies, contains forward-looking statements that involve risks and uncertainties. You should read the section “Forward Looking Statements” beginning on page 14 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.

Unless the context otherwise requires, references in this section to “Company” are to Tata Sponge Iron Limited, on a standalone basis, to “we” or “us” or “our” are to Tata Sponge Iron Limited, on a consolidated basis, and to “Tata Steel Group” are to Tata Steel Limited, on a consolidated basis.

All financial information used in this section is derived from the Financial Statements. For additional details, please refer to section titled “Financial Statements” beginning on page 103.

Overview

We are one of India’s largest merchant sponge iron manufacturers (*Source: Sponge Iron Manufacturers Association*). We are engaged in the manufacture and sale of sponge iron using the TDR technology. We are also engaged in the generation and sale of power utilizing the waste heat emanating from the sponge iron production process. Through our sponge iron business, we cater to the metallic requirements of steel producers in select geographies. In line with our strategy to establish our presence in the long steel products segment, we had entered into an agreement with UML to acquire the Steel Business Undertaking.

We were incorporated as a company jointly promoted by Tata Steel Limited (formerly, Tata Iron and Steel Company Limited) and the Industrial Promotion & Investment Corporation of Odisha Limited (formerly, Industrial Promotion & Investment Corporation of Orissa Limited) (“**IPICOL**”) in 1982. We commenced commercial production of sponge iron based on the TDR technology at our manufacturing facility in Joda, Odisha, in 1986. Tata Steel acquired the entire stake of IPICOL in our Company in 1991. Pursuant to Tata Steel’s open offer of our Equity Shares in 2012 and its consequent acquisition of our majority stake, Tata Steel became our holding company. Our business operations are organized synergistically, and we derive benefits from our integration with the Tata Steel Group, which has a presence across the entire value chain of steel manufacturing, including processing iron ore and coal for its steel production as well as producing and distributing finished products. Further, we also benefit from being identified with the “*Tata*” brand, which is a widely recognized brand in India. Consequent to the Acquisition of the Steel Business Undertaking, we have also entered the domain of steel manufacturing, with a focus on long products, including special and alloy steels.

We believe that over the years, we have established a track-record of operational efficiencies in the sponge iron business. Our sponge iron manufacturing facility is located at Bileipada, near Joda, in the Keonjhar district of Odisha, being the state that recorded the highest production of iron ore in India in Fiscal 2017 (*Source: Indian Minerals Yearbook 2017*). At our sponge iron manufacturing facility, we operate three rotary kilns having an aggregate annual installed capacity of 3,90,000 TPA of sponge iron as at March 31, 2019. The strategic location of our sponge iron manufacturing facility aids our access to high-quality iron ore, which is one of the major raw materials for sponge iron manufacturing. Further, we believe that our continued focus on enhancing productivity and efficiencies through resource optimization, yield maximization and through research and innovation initiatives have enabled us to achieve high levels of capacity utilization in the sponge iron manufacturing business. Accordingly, the aggregate sponge iron capacity utilization at our sponge iron manufacturing facility for Fiscals 2018 and 2019, was 106.95%, and 111.81%, respectively. Further, to increase our operational efficiencies, we have obtained environmental clearance from the MoEFCC and OSPCB for the enhancement of DRI (sponge iron) production (i.e. up to 4,65,000 TPA). Accordingly, we shall be able to enhance our production in line with the revised clearance.

Our access to the continued availability of power at the sponge iron manufacturing facility is supported by our two captive power plants that generate power utilizing the waste heat emanating from our kilns during our manufacturing

process. This non-conventional source of ‘green’ power through waste heat recovery boilers (“**WHRBs**”) enables us to shift our dependence on thermal power using additional fossil fuel, which helps control our carbon emissions. As at March 31, 2019, our power plants had an aggregate power generation capacity of 26 MW. The aggregate average plant load factor (“**PLF**”) of our power plants for Fiscals 2018 and 2019 was 87.48%, and 88.00%, respectively. After meeting our captive power requirements, we sell the surplus power generated from our plants, which serves as an additional source of revenue.

Pursuant to the Acquisition, we have a steel manufacturing facility located at Adityapur, Jharkhand. Our steel manufacturing facility comprises, *inter alia*, a pellet plant, a sinter plant, a coke oven, a sponge iron plant consisting of five kilns with a capacity of 350 TPD each, two blast furnaces and three electric arc furnaces. Our continuous access to power at the steel manufacturing facility is supported by two coal based captive power plants (having power generation capacity of 25 MW and 30 MW, respectively), two waste heat recovery based captive power plants (having power generation capacity of 30 MW each) and a coal – gas hybrid captive power plant (having power generation capacity of 15 MW).

Our manufacturing facilities are well-connected by roadway and railway networks to some of India’s significant industrial hubs and ports. Further, we have access to a captive railway siding adjacent to our sponge iron manufacturing facility and a captive railway siding adjacent to our steel manufacturing facility, which enhance our supply chain management capabilities, specifically in respect of sourcing of raw materials as well as the dispatch of finished goods.

Our corporate ethos and achievements in the areas of operational efficiencies, quality, social welfare and organizational standards are demonstrated by the various awards and certifications that we have received over the years, in relation to our sponge iron business. Our sponge iron facility has received, and currently holds, the ISO 9001:2015 certification in relation to our quality management systems, ISO 14001:2015 certification in respect of environmental management systems and OHSAS 18001:2007 certification in respect of our operational health and safety management systems. Further, we have received various industry award and recognitions, including most recently, the CCQC 2018 Awards in 2018, the CII SHE Excellence Award 2017-18 as “Winner” under the category of “Manufacturing – Large Scale”, CII Eastern Railway Productivity Award 2017-18 as “Champion – Significant Level”, the BE Star Award from CII & Institute of Quality in 2017 and CMO Asia’s 8th Best CSR Practices Award in 2018. We have also received the Award for TPM Excellence, Category – A, from the Japan Institute of Plant Maintenance for 2012.

Our focus on operational efficiencies has contributed to our track record of robust financial performance and profitability. We have established a track record of paying dividends to our Shareholders in each of the preceding 15 years. The details of our financial performance as at and for the Fiscals ended March 31, 2018 and 2019, are set forth below:

(in Rs. Lakhs, except where specified otherwise)

Particulars	As at and for the Fiscal ended March 31,	
	2019	2018
Revenue from operations	99,205.30	81,664.54
EBITDA	20,242.18	22,575.52
Profit before tax	18,782.10	21,020.57
Profit for the year	12,438.67	14,087.95
Return on Net Worth (%)	11.48	14.28

With an aim to enhance our product portfolio, de-risk our revenue base, achieve economies of scale as well as deploy investible funds, we have entered into the steel manufacturing business through the acquisition of the Steel Business Undertaking. We intend to synergistically focus on long products, with an emphasis on special and alloy steels, and believe that the aforesaid strategy of forward integration will create sustainable long-term value for all our stakeholders. For additional details, please refer to “- Our Strategies – Establish Presence in the Long Steel Products Segment, including Special and Alloy Steels” beginning on page 85.

Our Strengths

We believe that we have the following competitive strengths:

Track Record of Operational Efficiency

Over the years, we have demonstrated a track record of operational efficiency. Our sponge iron manufacturing operations and equipment are kept optimised through implementation of projects with a view to maximise yield, minimise losses and optimise the number of available days. We have implemented systems and practices to monitor, control and improve our operational processes. For further details, please refer to “- *Continue to Enhance Operational Efficiencies and Capacity Utilization*” on page 86. We believe that our focus on operational efficiency has also helped ingrain the ideology of continuous development within both our management and employees. We believe that our commitment towards achieving growth through process-oriented systems is reflected in the fact that our sponge iron manufacturing facility has received, and currently holds, the ISO 9001:2015 certification in relation to our quality management systems, ISO 14001:2015 certification in respect of environmental management systems and OHSAS 18001:2007 certification in respect of our operational health and safety management systems. Further, we have received various industry award and recognitions, including most recently, the CCQC 2018 Awards in 2018, the CII SHE Excellence Award 2017-18 as “Winner” under the category of “Manufacturing – Large Scale”, CII Eastern Railway Productivity Award 2017-18 as “Champion – Significant Level”, the BE Star Award from CII & Institute of Quality in 2017 and CMO Asia’s 8th Best CSR Practices Award in 2018. We have also received the Award for TPM Excellence, Category – A, from the Japan Institute of Plant Maintenance for 2012.

We believe that our continued focus on enhancing productivity and efficiencies through resource optimization, yield maximization and through research and innovation initiatives have enabled us to achieve high levels of capacity utilization in the past. The aggregate sponge iron capacity utilization at our sponge iron manufacturing facility for Fiscals 2018 and 2019 was 106.95% and 111.81%, respectively. In consonance with our operational strategies, we had obtained environmental clearance to undertake enhanced production of sponge iron up to an aggregate of 4,25,000 TPA of sponge iron. Further, to increase our operational efficiencies, we have obtained environmental clearance from the MoEFCC and OSPCB for the enhancement of DRI production (i.e. up to 4,65,000 TPA). Accordingly, we shall be able to enhance our production in line with the revised clearance.

Strategically Located Manufacturing Facilities

We believe that the strategic location of our manufacturing facilities provides us with significant operational and logistical advantages.

Iron ore, coking coal and non-coking coal are some of the key raw materials required for our manufacturing operations, and their continued and sustained availability at competitive prices is essential to the growth of our business. Further, our sponge iron manufacturing process is highly sensitive to raw material characteristics, and consistency in the physical and chemical properties of our raw materials is crucial to our ability to produce high-quality sponge iron. Our cost of materials consumed constitutes the largest component of our cost structure. For Fiscals 2018 and 2019, our cost of materials consumed represented 61.30% and 71.44% of our respective revenue from operations for such periods. Moreover, in light of the volume of the commodities involved, expenditure associated with logistics is one of the key variable expenses in the sponge iron and steel industry. Among Indian states, Odisha recorded the highest production of 99.61 million tonnes of iron ore, that is, about 52% of the country’s production in Fiscal 2017. Within the state of Odisha itself, the Keonjhar district recorded the production of 70.22 million tonnes of iron ore in Fiscal 2017 (*Source: Indian Minerals Yearbook 2017*). Since our sponge iron manufacturing facility is located in the Keonjhar district of Odisha, we have a significant strategic advantage in the form of access to several iron ore mines that are situated within a radius of 30 kilometers. In light of the foregoing, we have a convenient and continuous supply of iron ore, which is one of our key raw materials, with relatively low transportation costs. Further, we believe that the quality of the iron ore that we procure from adjacent mines is superior in its chemical and physical properties, which enables us to produce sponge iron of higher quality and continue to meet customer satisfaction levels.

Further, our steel manufacturing facility is strategically located in Adityapur, Jharkhand, a city lying in a region endowed with a major rail head coupled with rich deposits of minerals such as iron ore and manganese. Proximity to mineral mines help us procure our primary raw materials in a continual manner, without many complications or

impediments. Additionally, our Company expects that the acquisition of the captive iron mines, will put it in a position to procure a sizeable portion of the iron ore fines and lumps from the same, and believes that this will help in meeting the iron ore requirement of the Steel Business Undertaking.

Our manufacturing facilities are well connected to ports of Paradip, Dhamra and Haldia. This connectivity provides us with an advantage in the sourcing of certain high-quality raw materials which we import. Further, the captive railway sidings in close proximity to our manufacturing facilities enhance our supply chain management capabilities. Several of our major sponge iron customers are located in the eastern and north-eastern states of India, including Bihar, West Bengal, Uttarakhand and Punjab, as well as Bhutan and Nepal. Our rail and road connectivity to customers and raw material sources affords us opportunities to employ cost effective modes of transportation to achieve quicker delivery and faster turn-around times, which in turn allows us to maximize customer satisfaction. Additionally, our manufacturing facilities are also located adjacent to perennial water sources, as a result of which, we have access to a continual supply of water and derive significant benefits through savings in terms of water sourcing expenditure.

Improved Productivity with Continuous Learning, Innovation and IT enabled initiatives

We have implemented several innovative IT-based platforms in our daily operations and processes so to improve our functional efficiencies and create headroom for our management to focus on strategic initiatives. Some of the IT-based platforms that we have implemented include setting-up systems to enable automatic pressure fluctuation control inside our kilns through the use of key performance indicators (KPI) tracker, an electronic logbook (eLBK), a power management system, a safety management system and an e-gate pass. We have also recently implemented a dynamic operational model using an artificial neural network (ANN) so as to improve the predictability of operational failures.

Further, we engage with renowned institutions, from time to time, to help us with adding specialized functionality to our manufacturing process and interlinked equipment and systems. For instance, we have entered into an agreement with the Indian Institute of Technology, Bhubaneshwar (“**IIT Bh**”), to assist us in devising a model-based decision support and control system for accretion control inside the kilns to increase our sponge iron production through a research and development project. As a result of the foregoing engagement, we have greater control over different parameters of our production process, which has enabled higher throughput and lower accretion formation of fused material inside the kiln. Further, we encourage our employees to ideate and suggest innovative solutions and services that will create value for our organization in the long-term, and have set-up various platforms towards achieving the same, including through the use of suggestion boxes, ‘Kobetsu Kaizen’, ‘Jishu Hozen’ competitions and other felicitations.

Established Market Presence and Long-Standing Customer Relationships

We are one of India’s largest merchant sponge iron manufacturers (**Source: Sponge Iron Manufacturers Association**), with an operating history of over three decades. We derive benefits from our integration with the Tata Steel Group, which has a presence across the entire value chain of steel manufacturing, including mining and processing iron ore and coal as well as producing and distributing finished products for its steel production. In addition, we also benefit from being identified with the “*Tata*” brand, which is a widely recognized brand in India.

We are committed to delivering high-quality products to our customers and believe that this commitment has helped us achieve our strong market recognition and establish our presence in the sponge iron market. Our sponge iron business generally caters to customers who primarily are manufacturers of steel in the Eastern and North Eastern regions of India. Customarily, we process orders from our customers through advance payments, letters of credit or on ex-works basis. We continue to see a significant number of repeat orders, which we believe reflects the trust that we have instilled within our customer base. Our top 10 customers contributed 77.42%, and 79.27% of our revenues from operations for the Fiscals 2018 and 2019, respectively. We have continued to serve many of our key customers for over a decade.

Our marketing strategy is highly customer-value driven and we have adopted various policies and practices to help strengthen our relationships with our customers. At the time of delivery of our sponge iron products, we customarily provide our customers with reports in respect of the qualitative tests carried out in relation to the products. We believe

that the aforesaid practice has helped increase customer confidence in the quality and consistency of our products as well as prevent customer dissatisfaction. Our management periodically visits key customers so as to apprise itself of their evolving requirements. We have also instituted a complaint management system to help address any customer grievances in a timely manner. We have also engaged an independent consultancy to undertake an annual survey to capture and help us analyse information in respect to customer satisfaction and dissatisfaction levels. Further, we conduct regular stakeholder outreach programmes, including an annual event titled “*Sparkle Knight*”, where major customers are invited and felicitated.

Strong and Experienced Management Team and Workforce

We have built a strong management culture with experience in the sponge iron and steel industries. Our organization is driven by a qualified and dedicated management team, which is led by our Board. For additional details in respect of our Board, please refer to the section titled “*Our Management*” beginning on page 97. We have a qualified key management team, with diversified experience in the areas of operations, procurement, quality assurance, marketing and finance, which assists the Board in implementing our business strategies and furthering our growth. Our management team’s collective experience and capabilities enable us to manage our business operations, leverage customer relationships as well as understand and anticipate market trends. We will continue to leverage the experience of our Board and management team and their understanding of the sponge iron and steel industries, to take advantage of current and future market opportunities.

Our management culture is collaborative and team-oriented, which is inherent in the way we do business and we believe this to be a source of competitive advantage. We believe that we have been able to successfully recruit talent because of our reputation and operational efficiency. We train our employees on a regular basis to increase the level of operational efficiency, improve productivity and maintain compliance standards on quality and safety. Further, we believe that our ability to cultivate a congenial work environment and competitive compensation packages have resulted in our relatively low attrition rates in the past.

Robust Financial Performance

Our focus on operational efficiency has contributed to our robust financial performance. Our revenue from operations has grown from Rs. 81,664.54 lakhs for Fiscal 2018 to Rs. 99,205.30 lakhs for Fiscal 2019, representing a growth of 21.48%. The net cash generated from our operating activities in Fiscals 2018 and 2019 was Rs. 4,108.16 lakhs and Rs. 10,025.19 lakhs, respectively. As a result of the foregoing, we have primarily been able to fund our business operations out of the cash flow generated from operating activities, without resorting to external borrowings. Accordingly, we had no long-term or short-term borrowing as on March 31, 2018 and March 31, 2019.

We derive revenue from the export of surplus power that is generated from our power plants by harnessing the waste heat that emanates from our production process. Revenue from the sale of power constituted 6.79% and 5.37 % of our gross revenue from operations for Fiscals 2018 and Fiscal 2019, respectively.

Our robust financial performance is evidenced by our track record of paying dividends to our Shareholders in each of the preceding 15 years. We believe that this is a reflection of our efficient manufacturing operations and the supply-chain management protocols which we have implemented. Over the years, we have strategically invested in capacity optimization measures and debottlenecking at our sponge iron manufacturing facility as well as in our quality assurance practices. We believe that our ability to fund these endeavours helps strengthen trust and engagement with our customers, which enhances our ability to retain these customers.

Our Strategies

Establish Presence in the Long Steel Products Segment, including Special and Alloy Steels

With over three decades of operating history, we are one of India’s largest merchant sponge iron manufacturers (*Source: Sponge Iron Manufacturer’s Association*). Our focus on increasing operational efficiencies and enhancing capacity utilization, coupled with our strong management systems and trained human capital, has enabled our robust financial performance, including our track record of dividend payment in each of the preceding 15 years. However,

despite the foregoing, we believe that market dynamics and regulatory considerations may pose challenges in the process of identifying significant long-term value opportunities in the sponge iron business and achieving exponential growth therefrom. In light of the foregoing factors as well as other considerations, our Board and management has, from time to time, been evaluating both organic and inorganic growth opportunities to achieve forward integration, enhance our product portfolio, de-risk our revenue base and achieve economies of scale by entering the steel manufacturing space, more specifically the long products segment that includes higher-margin alloy and special steel products. In line with our strategy, we have recently acquired the Steel Business Undertaking from UML, pending transfer of certain assets.

With an annualized installed cast capacity of 1.00 million TPA, rolled capacity of 0.72 million TPA and assets such as electric arc furnaces, vacuum degassing facilities and ladle refining furnaces, the Steel Business Undertaking presented an opportunity for us to foray into special steel (special bar quality) long products catering to requirements of automotive, bearings and fasteners industries. Further, its billet conditioning facilities and downstream quality testing facility are expected to facilitate the production of high-quality wire rods, and provide us further opportunities to enter new wire rod segments of the market, such as free cutting steels, ball and roller bearing steels and cold headed quality steels.

The Steel Business Undertaking, through several pre-existing approvals and customer relationships, enables us to cater to a wide range of customers across various sectors, including automotive customers such as Tata Motors Limited, with its carbon alloy, micro alloy and special steel products.

Our management believes that we are in a position to bridge the working capital shortage that the Steel Business Undertaking was previously facing. Further, our management believes that the Steel Business Undertaking will add significant value to our asset pool and result in long-term growth as well as improved returns for our Company in the years to come. Additionally, in light of its pre-existing customer relationships and approvals, the acquisition of the Steel Business Undertaking has helped to capitalise on such relationships without going through a time consuming certification process .

Continue to Enhance Operational Efficiencies and Capacity Utilization

We believe that our focus on functional efficiencies and implementation of integrated solutions at the sponge iron manufacturing facility has contributed to our robust financial performance whilst also strengthening the trust and engagement that we share with our stakeholders. Our continued focus on enhancing productivity and efficiencies through resource optimization and yield maximization have enabled us to achieve high levels of capacity utilization. Our aggregate sponge iron capacity utilization for Fiscals 2018 and 2019, was 106.95% and 111.81%. Going forth, we intend to continue to proactively evaluate and implement measures that will enhance our operational efficiencies and enable us to maximize our production output. More specifically, we intend to continue to focus on enhancing our kiln operating days and raw material feed rates, which will significantly help increase our production capabilities. Towards this end, we have entered into an agreement with IIT Bh to assist us in devising a model-based decision support and control system for accretion control inside the kilns to increase our sponge iron production through a research and development project. While we work towards sweating out assets to reap benefits, we will continue to maintain our plant and machinery in accordance with high standards. Additionally, capacity enhancement and debottlenecking measures are proposed to be implemented from time to time to overcome production plateaus. For further details, please refer to “- *Production Optimization Initiatives*” on page 90. In line with our focus on enhancing productivity and efficiency, we aim to implement similar measures at the Steel Business Undertaking as well. Further, we continue to evaluate the feasibility of alternative sources of raw material which could enhance yields. In light of our belief in our production enhancement capabilities, we have obtained environmental clearance from the MoEFCC and OSPCB to undertake enhanced production of DRI of up to an aggregate of 4,65,000 TPA, at the sponge iron manufacturing facility. Accordingly, we shall be able to enhance our production in line with the revised clearance.

Opportunistically Pursue Raw Material Security

Our manufacturing processes are highly sensitive to raw material characteristics, and consistency in the physical and chemical properties of the aforesaid raw materials. Accordingly, we believe that continued access to high-quality raw materials is crucial to our ability to produce high-quality sponge iron and steel. While we believe that our current procurement arrangements allow us to have access to high-quality raw materials at competitive prices, we intend to

continue to focus on achieving raw material security by evaluating prospects that will provide us with access to high-quality raw material in locations closer to our manufacturing facilities. To achieve raw material security, we evaluate and bid for the allocation of iron ore blocks from time to time. We believe that successful backward integration can bolster our self-reliance as well as enable us to respond to market volatility in an efficient manner.

Our Business

Description of our Manufacturing Facilities

Currently, we have two manufacturing facilities – a sponge iron manufacturing facility and a steel manufacturing facility.

Our Sponge Iron Manufacturing Facility

Our sponge iron manufacturing facility is strategically located at Bileipada, near Joda, in the Keonjhar district of Odisha. At the aforesaid facility, we operate three rotary kilns, two with a capacity of 375 TPD of sponge iron each and one with a capacity of 500 TPD, to produce sponge iron using the indigenous TDR technology (*with Lurgi Modification*). The three rotary kilns together have an aggregate annual installed capacity of 3,90,000 TPA of sponge iron as at March 31, 2019.

Our manufacturing operations and machinery, including the kilns, coolers and electro-static precipitators (ESPs), are constantly optimized through implementation of projects with a view to maximise yield, minimise losses and optimise the number of available days. We have installed three coolers to reduce the temperature of sponge iron as well as dusting units at our sponge iron manufacturing facility. With the implementation of significant digitization initiatives, our production process aims to achieve greater efficiency without compromising on quality.

In consonance with our operational strategies, we had obtained environmental clearance to undertake increased production of sponge iron up to an aggregate of 4,25,000 TPA of sponge iron. Thereafter, to enable our future efforts to increase our operational efficiencies, we have obtained environmental clearance from the MoEFCC and OSPCB to undertake enhanced production of sponge iron up to an aggregate of 4,65,000 TPA of sponge iron. Accordingly, we shall be able to enhance our production in line with the revised clearance.

Our access to the continued availability of power is supported by our two captive power plants that generate power utilizing the waste heat emanating from our kilns during our manufacturing process. Our three WHRBs enable us to generate and utilize 'green' power in line with our commitment towards sustainable growth. Our two power plants had a combined generation capacity of 26 MW as at March 31, 2019. After meeting our captive power requirements, we sell the surplus power generated from our plants, providing us with a steady source of revenue. To facilitate the sale and transmission of power, we have erected an approximately seven kilometres long dedicated 220 KV power transmission line. Revenue from the sale of power constituted 6.79% and 5.37% of our gross revenue from operations for Fiscal 2018 and Fiscal 2019, respectively. Further, we have access to a captive railway siding adjacent to our sponge iron manufacturing facility, which helps in sourcing our raw materials as well as dispatching the finished goods.

Our Steel Manufacturing Facility

Our steel manufacturing facility is strategically located at Adityapur, Jharkhand. The steel manufacturing facility comprises, *inter alia*, pellet plant, sinter plant, oxygen plant, lime kiln plant, coke oven, sponge iron plant consisting of five kilns, two blast furnaces and a steel melting shop. The pellet plant (*using the grate kiln technology*) is used to agglomerate and indurate iron ore fines into pellets, and the sinter plant is used to agglomerate iron ore fines into a coarse product, i.e. the sinter. Hard and semi-hard coking coal is heated in the coke oven facility which consists of two batteries containing 48 ovens each. While the sponge iron plant, consisting of five kilns with a capacity of 350 TPD each, is used to produce DRI (*using the OSIL and Lurgi technology*), the two blast furnaces, having a volume of 280 m³ and 380 m³ respectively. At our steel melting shop, we operate three electric arc furnaces, two with a capacity of 40 MT each and one with a capacity of 70 MT, to produce liquid steel.

In addition to the aforesaid, the steel manufacturing facility also consists of a wire rod mill, bloom mill and a bar mill, where bars, billets, blooms, etc. are reshaped and resized into products of various dimensions. We also have access to a captive railway siding that help us bring in critical raw materials and move out finished products in an efficient and cost effective manner. Our continuous access to power at the steel manufacturing facility is supported by two coal based captive power plants (having power generation capacity of 25 MW and 30 MW, respectively), two waste heat recovery based captive power plants (having power generation capacity of 30 MW each) and a coal – gas hybrid captive power plant (having power generation capacity of 15 MW).

We have recently acquired the Steel Business Undertaking from UML. However, certain assets are pending transfer and are thus subject to hold backs of Rs. 64,000 lakhs. For further information on risks associated with the Acquisition, please refer to the section titled on “*Risk Factors*” beginning on page 48.

Production and Power Generation Process

Description of the Sponge Iron Production Process

Iron ore and non-coking coal are the prime raw materials for the production of sponge iron. These are charged into a rotary kiln in requisite proportion along with some dolomite. Coal serves as a reductant as well as fuel for providing heat to maintain the requisite temperature inside the kiln at 950-1050°C. Unlike in a blast furnace, the reduction process occurs in solid state in rotary kilns. The crucial factor in this reduction process is the controlled combustion of coal and its conversion to carbon monoxide to remove oxygen from the iron ore.

The overall process of direct reduction takes about 10 to 12 hours inside the kiln. During this time, iron ore is optimally reduced and the hot reduced sponge iron along with semi-burnt coal/char is discharged to a rotary cooler for indirect cooling to a temperature of between 100°C to 120°C. Sponge iron being magnetic in nature, the discharge from cooler consisting of sponge iron, char and other contaminations are routed through electromagnetic separators, to separate other impurities (i.e. non-magnetics) from sponge iron.

The product is then screened in size fractions of lump (greater than 3 mm) and fines (lesser than 3 mm). Separate bins are installed to preserve its quality, reduce re-oxidation and facilitate faster loading on to the trucks. Automatic bagging machines have been installed just below the bunkers for bagging sponge iron, which are then sent to customers through rakes from our captive railway siding or through trucks, as per customers’ preference.

Description of the Steel Production Process

Iron ore fines and lumps and coking coal are the prime raw materials for the production of steel. Firstly, hard and semi-hard coking coal are heated in the coke oven in the absence of air to produce metallurgical coke. Simultaneously, iron ore fines are agglomerated into sinter and pellets through the sinter and pellet plants, respectively, and iron ore lumps are reduced to DRI in the sponge iron plant. The sinter, pellets, metallurgical coal and quartzite are fed into the blast furnace where the mixture, through a reaction with preheated air, is reduced into liquid hot metal and pig iron. Thereafter, the hot metal, DRI, scrap and lime are charged into the electric arc furnace, and an electric current is passed through the electrodes to form an arc. The heat produced by the arc melts the mixture into liquid steel.

The liquid steel is then reheated in the ladle refining furnace, and alloying metals such as manganese, nickel, chromium, ferro manganese, ferro silicon, ferro chrome and vanadium are added to the same to produce different grades of steel. The filled ladle is taken to the vacuum degassing facility, where gases such as nitrogen, oxygen and hydrogen are extracted from the liquid steel. Later, the liquid steel, through the process of continuous casting, is solidified into semi-finished billets or blooms for subsequent rolling in the finishing mills. The billets or blooms are then passed through the wire rod mill, bloom mill and bar mill, as the case may be, where their size is reduced depending upon the desired end product. The finished materials are then shifted to the conditioning and finishing department for final inspection and allied activities.

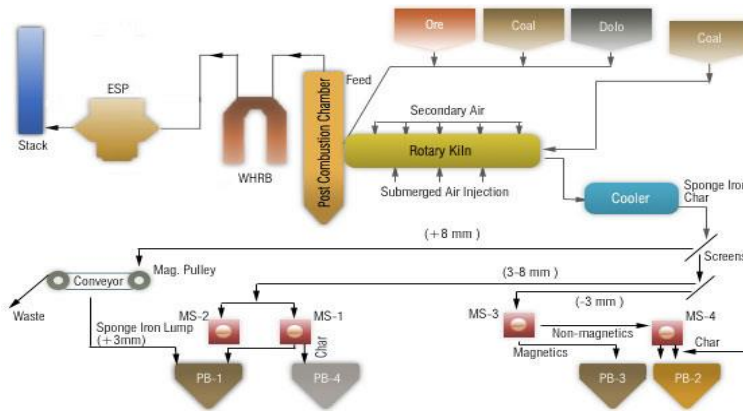
Power Generation at our Manufacturing Facilities

At our sponge iron manufacturing facility, waste hot gasses at a temperature of about 800 to 1000°C emanate from the sponge iron kilns. Our three WHRBs, together with the electrostatic precipitators and turbines, enable us to utilize the aforesaid waste heat and convert it into ‘green’ power.

The power requirement at our steel manufacturing facility is met through two coal based captive power plants, two waste heat recovery based captive power plants and a coal – gas hybrid captive power plant.

Production Process

The TDR process that we employ for manufacturing sponge iron is set out in the chart below:



Legend:

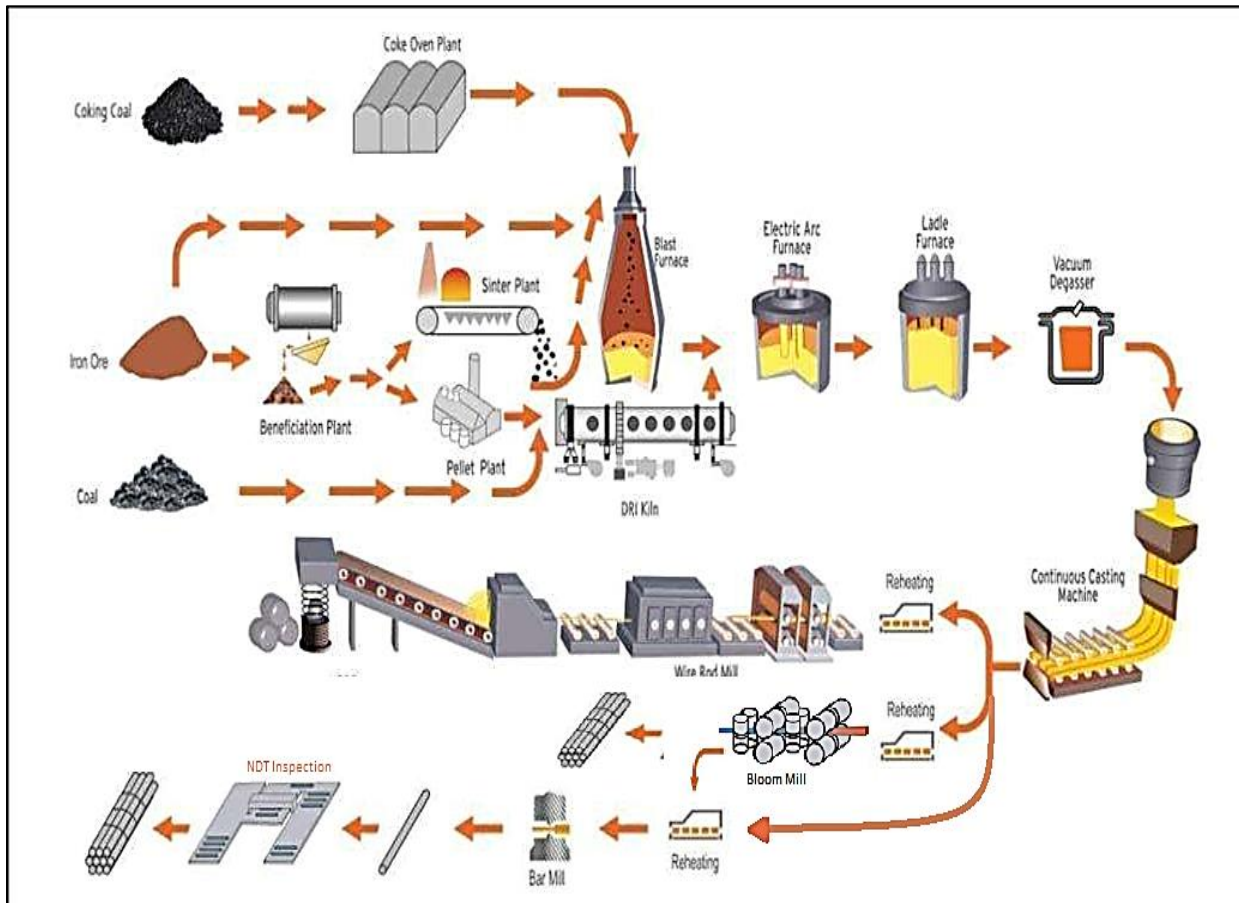
E.S.P. = Electrostatic Precipitator

MS = Magnetic Separator

W.H.R.B. = Waste Heat Recovery Boiler

PB = Product Bin

The process that we employ for manufacturing steel is set out in the chart below:



Production Optimization Initiatives

We endeavour to constantly optimise our manufacturing operations and equipment with improvement projects with a view to maximise yield, minimise losses and optimise the number of available days. Some of the recent improvement initiatives that we have undertaken at our sponge iron manufacturing facility in this regard are described herein below:

- **Kiln Pressure Control:** We have introduced a kiln pressure control system that maintains pressure within a desirable band for controlling accretion formation inside the kiln.
- **Char Feeding with Injection Coal:** This initiative helps us in reducing moisture content in coal during the monsoon, which results in the reduction of interruption in coal injection. This leads to improvement of product quality and production rate.
- **Modification of Injection Coal Throw System:** We have undertaken a modification in the injection coal throw system with an individual line to the rotary feeder from the roots blower for uninterrupted operations.
- **Container Loading System:** We have installed a container loading system in one of our kilns to improve product handling to reduce packaging costs.
- **Installation of Magnet Pulley:** We have installed a magnet pulley fixing at the injection coal weigh feeder so as to trap foreign magnetic materials and reduce interruption in coal injection.

Raw Materials

Sponge Iron Business

The key raw materials to produce sponge iron are iron ore, non-coking coal and dolomite. Sponge iron manufacturing is highly sensitive to raw material characteristics that would help obtain the rated capacity and the desired product quality. To ascertain the suitability of our raw materials in a rotary kiln, we have established a modern quality assurance facility that is responsible for conducting various tests in respect of the chemical and physical properties of our raw materials.

- **Iron Ore:** During sponge iron manufacturing, iron ore is reduced in solid state. To optimise yield during sponge iron making, it is essential for us to select an ore with high iron content and a low gangue content. By virtue of our strategic location in northern Odisha, we enjoy proximity to large iron ores reserves. We primarily source our iron ore from the mines of Tata Steel in Joda, Odisha, as well as from other nearby mines, as and when required.
- **Coal:** To enhance productivity at an optimal cost, improve our product quality and kiln campaign life, we use coal sourced from South Africa. We also procure coal of specified quality from India.
- **Dolomite:** Dolomite is an important ingredient and acts as a de-sulphuriser removing sulphur from the feed mix during the reduction process. Control of sulphur content is an essential pre-requisite for the manufacture of good quality steel. We procure dolomite from Tata Steel's Gomardih dolomite quarry.

Steel Manufacturing Business

The key raw material that are required to produce steel include, *inter alia*, iron ore fines and lumps and coking coal. Our Company procures a major portion of the iron ore fines and lumps from localized mines. We procure coking coal and non-coking coal from indigenous as well as foreign sources. Certain other kinds of coal such as anthracite coal and thermal coal (for the sponge iron plant) are procured locally. Thermal coal that is required for power plants is purchased either through e-auction or from coal traders, domestically. The essential materials which are used in the steel manufacturing process like dolomite, pyroxenite, anthracite coal, burnt lime, calcined lime fines, etc. are purchased from various domestic suppliers.

Capacity Utilization

The details of the aggregate sponge iron capacity utilization at our sponge iron manufacturing facility for Fiscals 2018 and Fiscal 2019, are set out below:

Product	Installed Production Capacity (in TPA)		Actual Production (in MT)		Capacity Utilization (%)	
	As at March 31, 2018	As at March 31, 2019	Fiscal 2018	Fiscal 2019	Fiscal 2018	Fiscal 2019
Sponge Iron	3,90,000	3,90,000	4,17,094	4,36,045	106.95	111.81

The aggregate average PLF of our power plants for Fiscal 2018 and Fiscal 2019, was 87.48% and 88.00%, respectively.

Quality Control

We are committed to consistently delivering high-quality products to our customers. The quality of raw materials and their relative proportions determine the quality of the final product and the efficiency of our rotary kilns and blast furnaces. Thus, the quality of raw materials is of paramount importance to us in our sponge iron production process. To verify the same, we have established a modern quality assurance facility at our sponge iron manufacturing facility,

which is equipped with precision equipment, that is responsible for conducting tests and checks in respect of the quality of our key raw materials.

We strive to produce sponge iron that would constitute high metallic iron content along with consistent chemical and physical characteristics, as per the requirements of our customers. During the production process, we particularly focus on ensuring lower sulphur and phosphorus content as well as negligible tramp element. The end product is screened in size fractions of lump and fines. Additionally, we undertake bagging in quality bags so as to standardize the quantity in each bag as well as avoid spillage or tearing during handling and transit. We move our final products through trucks and railway wagons so as to preserve quality and reduce and/or prevent re-oxidation.

We have adopted modern management tools, techniques and standards to help us manufacture steel products of the highest grade. At the steel manufacturing facility, we have several modern equipment and facilities for aiding our upstream and downstream quality assurance processes, including, *inter alia*, optical emission spectrometer, optical microscopes, Jominy hardenability set up, flame photometer, saturated magnetic analyser, wet chemical laboratory muffle furnace and blue fracture testing machine.

Distribution and Marketing

We cater to the metallic requirements of steel producers in select geographies and have successfully established our presence in the sponge iron market. Customarily, we process orders from our customers through advance payments, letters of credit or on ex-works basis. While we have not entered into long-term contracts with our customers, we believe that the quality of the manufactured sponge iron has enabled us to continue to secure repeat orders from our customers. The dispatch of products is organized by either the road and railway networks based on the customer's requirements. We believe that our captive railway sidings provide us with a logistical advantage that enables us to deliver our products in a timely manner.

Our steel business caters to the needs of the automobile and engineering sectors, amongst others. A significant percentage of our alloyed steel products are sold to manufacturers of parts and components in the conventional vehicles and farming industries. Additionally, we also supply alloyed steel to various players in the bearings, earth-moving, mining and oil and gas sectors, amongst others.

Safety, Health and Environment

Our operations are subject to various central and state laws and regulations, including in respect of technical safety and environmental protection, pertaining to aspects such as, *inter alia*, restriction of air pollution and noise, discharge of waste products into soil or water above and below the ground and other occupational health and safety regulations.

We believe that sustainable production is the cornerstone of our development and acts as a key driver for our future growth and prospects. We aim to comply with applicable health and safety regulations and other requirements in our operations and have adopted safety, health and environment policies and procedures that are aimed at complying with legislative requirements, requirements of our licenses, approvals, various certifications and ensuring the safety of our employees and the persons working at our facilities or under our management. We believe that accidents and occupational health hazards can be significantly reduced through a systematic analysis and control of risks and by providing appropriate training to our management and employees. Thus, we strive towards integrating safety, health and environmental requirements within our business-planning and decision-making processes.

We have invested in various pollution control devices and implemented various practices as part of our approach towards the preservation of our ecosystem. Further, we have set up a dedicated pollution control department at the sponge iron manufacturing facility to monitor and ensure compliance with pollution control norms. This department is equipped with advanced pollution monitoring equipment such as high-volume samplers, stack monitoring kit and sound level meters, and is responsible for taking periodic readings at different locations in the plant, ensuring continuous and efficient operation of the pollution control equipment and liaising with government authorities on various environmental issues.

We believe that our sponge iron manufacturing facility is one of the cleanest coal-based sponge iron plants in India, since our facility was proposed as a benchmark plant in relation to an initiative undertaken by the West Bengal

Pollution Control Board in collaboration with independent industry bodies for the purpose of identifying good manufacturing practices and clean technology options in the sponge iron industry. For instance, the Central Pollution Control Board (“CPCB”) together with Odisha SPCB conducted a trial run in relation to our practice of using spent ion exchange resin for energy recovery in our DRI kilns which was thereafter added to the standard-operating-procedure prescribed by the CPCB. Further, we have received several awards in respect of our safety, environment and health practices. For additional details, please refer to “- Awards and Accreditations” beginning on page 93.

We believe that the health and safety of our people, including our contract workers is essential. At the sponge iron manufacturing facility, we have implemented integrated safety programmes, such as the DuPont safety requirements, positive isolation & tool box meetings, road safety training, firefighting training, reporting of near-miss cases and identification of unsafe acts and conditions, introduction of IT based safety management systems, pro-active identification of unsafe conditions and practices, among others. We have invested in setting up a laboratory and ambient air quality monitor systems (AAQMS) for monitoring dust and noise levels. Further, annual and periodical health check-ups of our employees and contract workforce are undertaken as a preventive measure to diagnose occupational illnesses. Health awareness workshops and knowledge sharing sessions are conducted for raising general awareness among employees on health-related issues.

Waste Handling

As the sponge iron manufacturing process consumes and generates considerable amount of fine sized inputs and outputs, we believe it to be a necessity for us to adopt proficient waste management practices. In furtherance thereof, we have undertaken various initiatives such as the installation of an intake pump, development of a waste-dumping yard to dispose of waste materials and setting up of processes for segregation of biodegradable and non-biodegradable waste. In addition, we have also undertaken mass afforestation programmes. Further, we supply fly ash for the utilization of the waste fly ash generated in the power plant for purposes such as brick manufacture or road construction. The solid waste material generated from our steel manufacturing processes are either consumed internally (during other internal manufacturing processes), sold as secondary raw materials to external manufacturers, or are disposed off for land filling purposes.

Research and Development and Intellectual Property

We have implemented several innovative IT-based platforms in our daily operations and processes so to improve our functional efficiencies and create headroom for our management to focus on our strategic initiatives. Additionally, we engage with renowned institutions, from time to time, to help us with adding specialized functionality to our manufacturing process and interlinked equipment and systems. For instance, we have entered into an agreement with IIT Bh to assist us in devising a model-based decision support and control system for accretion control inside the kilns to increase our sponge iron production through a research and development project. As a result of the foregoing engagement, we have greater control over different parameters of our production process, which has enabled higher throughput and lower accretion formation of fused material inside the kiln. We conduct our business using the “Tata” brand, and have licensed the use of the same from Tata Sons Limited under the terms of a licensing agreement.

Our Company has also applied for a patent on heat resistant paint composition based on the operational efficiency achieved by us through our research and development initiatives.

Awards and Accreditations

Our corporate ethos and achievements in the areas of operational efficiencies, quality, social welfare and organizational standards are demonstrated by the various awards and certifications that we have received over the years, in relation to our sponge iron manufacturing facility. Our sponge iron manufacturing facility has received, and currently holds, the ISO 9001:2015 certification in relation to our quality management systems, ISO 14001:2015 certification in respect of our environmental management systems and OHSAS 18001:2007 certification in respect of our operational health and safety management systems.

We have also been recognised by various non-governmental institutions of repute for our dedication to quality and upholding high environment and social responsibility standards. Some of the awards that we have received recently include the following:

- CII Eastern Railway Productivity Award 2017-18 as “Champion – Significant Level”;
- CMO Asia’s 8th Best CSR Practices Award in 2018;
- CII SHE Excellence Award 2017-18 as “Winner” under the category of “Manufacturing – Large Scale”;
- CCQC 2018 Awards in 2018; and
- 1st Prize in CII Workskills Competition in 2018;

We have also received the Award for TPM Excellence, Category – A, from the Japan Institute of Plant Maintenance for 2012 and BE Star Award from CII & Institute of Quality in 2017.

Human Capital

We believe that our work force is a key driver to the sustainable growth of our organization and maintaining our competitive position. Accordingly, our human resource policies focus on training and retaining our employees, with emphasis on leadership development and building robust employee relations. As of April 30, 2019, we employed 2450 persons, on a consolidated basis.

We cater to our workforce requirements with a balanced approach to talent acquisition, with a combination of fresh recruits from reputed institutes and experienced hires. Our motto and value systems are well imbibed by our workforce and they are trained on this right from their induction. We train our employees on a regular basis to increase the level of operational efficiency, improve productivity and maintain compliance standards on quality and safety. We offer our employees performance-linked incentives and benefits and conduct employee engagement programs from time-to-time. We engage with our employees through various programmes such as ‘Adarsh’, ‘Feel Good’, employee dialogue sessions, knowledge sharing sessions and social group activities, among others. We believe that our management has healthy and cordial industrial relations with our employees’ union, namely the Tata Sponge Shramik Sangh.

Information Technology

Our IT systems are vital to our business and we have adopted IT policies to assist us in our operations. The key functions of our IT team include establishing and maintaining enterprise information systems and infrastructure services to support our business requirements and maintaining secure enterprise operations. We have implemented various programmes to facilitate the practice of confidentiality, information integrity and availability.

Risk Management

We have established a risk management framework to identify, assess, monitor and mitigate various risks to our business. This framework seeks to minimize adverse impact on the business objectives and enhance our competitive advantage. The framework also defines the risk management approach across the enterprise at various levels. Risk management forms an integral part of our Company’s planning process, and the Risk Management Committee of the Board reviews the process of risk management.

Insurance

Our operations are subject to hazards inherent to manufacturing facilities, such as work accidents, equipment failure, fire, earthquakes, flood and other *force majeure* events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage. Our principal types of coverage include boiler and pressure plant insurance, employee accident insurance, comprehensive employee and office insurance, fire insurance, comprehensive directors and officers liability insurance coverage (maintained by Tata Steel), marine insurance, equipment risks and motor vehicle insurance.

Competition

The merchant sponge iron manufacturing industry is highly fragmented, and we face competition from a number of marginal players, having low production capacities, based in Eastern India. While most of the sponge iron manufacturers are also integrated manufacturers that focus on steel making, they also sell sponge iron in the market on an intermittent basis. We believe that our position in relation to our competitors will depend upon our ability to anticipate and respond to various competitive factors facing our industry, including product quality, pricing strategies, our ability to source raw materials cost effectively and increase production efficiencies. Further, we may also be affected by competition faced by our customers and end-users.

The long and special steel products industry is moderately fragmented, and business is characterised by way of competition from a number of domestic steel producers in India. Further, the quality expectations of customers and end-users creates a high barrier for entry into this industry.

Corporate Social Responsibility

Our CSR objective is to improve the quality of life of the communities living in the areas where we operate. Towards this purpose, we have adopted a CSR policy in compliance with the requirements of the Companies Act, 2013, and the Companies (Corporate Social Responsibility) Rules, 2014, as notified by the Central Government. Through our CSR initiatives, we focus on helping in the upliftment of society by undertaking initiatives such as “*Swabhiman*” for enabling access to sanitation, implementing technology-based learnings and providing training to teachers. To determine sustainable CSR intervention in and around our Company, we have conducted surveys and engaged with partners of repute for implementation of various CSR projects and programmes. Recently, we have been selected by the ministry of corporate affairs to receive the honourable mention at the National CSR Awards 2018 in the category – CSR Awards for Contribution to the National Priority Areas, sub-category- Health, Safe Drinking Water and Sanitation. In Fiscals 2018 and 2019, we have incurred Rs. 180.46 lakhs and Rs. 236.25 lakhs respectively, on CSR activities.

Properties

Our Company’s registered and corporate office is located at P.O. Joda, District Keonjhar, Odisha - 758 034.

Our sponge iron manufacturing facility and power plants are situated on parcels of land that have been leased by us on a long-term basis from Odisha Industrial Infrastructure Development Corporation and the Government of Odisha. Our steel iron manufacturing facility is situated on parcels of land that are either owned by us or are leased by us from the Government of Jharkhand and the Adityapur Industrial Area Development Authority for a period of 30 years, and includes the processing units, warehouses and working offices as well. We also have one marketing office in each of Jamshedpur and Kolkata, and a liaison office in Bhubaneswar. Further, our Company has also entered into operating lease agreements for office spaces and residential accommodations, the tenure of which generally vary from less than a year to three years and include an option for renewal on mutually agreed terms.

HISTORY AND CORPORATE STRUCTURE

Brief History of our Company

Our Company was originally incorporated as “*Ipitata Sponge Iron Limited*” on July 31, 1982, as a public limited company, under the provisions of the Companies Act, 1956. Subsequently, the name of our Company was changed to “*Tata Sponge Iron Limited*” with effect from September 24, 1996. The Corporate Identification Number of our Company is L27102OR1982PLC001091.

Main Objects of our Company

The main objects of our Company as contained in its Memorandum of Association are:

- To manufacture, produce, buy, sell, exchange, work, alter, improve, import, export and otherwise deal in sponge iron and its products, Steel and Steel Billets, metal and metallised products including steel, ferrous and non-ferrous alloys, rolled products both hot rolled and cold rolled, sheet metal (ferrous and non-ferrous) wire, wire mesh, wirecloth and to carry on trade or business of rolling mill and foundries.*
- To manufacture, assemble, fabricate, sell, buy, exchange, instal, work, alter, improve, import or export and otherwise deal in plant, machinery, wagons, rolling stock, apparatus, tools, utensils, substances, materials & chemicals.*
- To carry on the business of miners, metallurgists, builders, contractors, engineers, iron founders, manufacturers of implements and machinery, tool makers, brass founders, metal workers, boiler makers, millwrights, machinists, smiths, wood worker builders, painters, printers & timber merchants.*

Corporate Structure of our Company

The promoter of our Company is Tata Steel Limited.

TSIL Energy Limited is the subsidiary of our Company.

Major Events of our Company

Year	Event
1982	Incorporation of our Company
1984	Public issue of Equity Shares, and consequent listing of the Equity Shares on BSE
1986	Installation of kiln 1 and commencement of commercial production
1991	Acquisition of the entire stake of IPICOL in our Company by Tata Steel
1997	Installation of kiln 2
2001	Installation of 7.5 MW captive power plant
2003	Listing of Equity Shares on NSE
2006	Installation of 18.5 MW captive power plant
2006	Installation of kiln 3
2012	Acquisition of majority stake of our Company by Tata Steel pursuant to a voluntary open offer.
2017	Approval from MoEF for enhancement of DRI production from 3,90,000 TPA to 4,25,000 TPA in the existing facility of the Company located at Bileipada, Tehsil Barbil, District Keonjhar, Odisha
2018	Approval from MoEF for enhancement of DRI production from 4,25,000 TPA to 4,65,000 TPA in the existing facility of the Company located at Bileipada, Tehsil Barbil, District Keonjhar, Odisha
2019	Acquisition of UML’s Steel Business Undertaking

OUR MANAGEMENT

Board of Directors

As of the date of this Letter of Offer, our Company has ten Directors, comprising five Independent Directors, four Non-Executive Non-Independent Directors (including one woman Director) and one Executive Director.

The following table sets forth details regarding our Board as of the date of filing this Letter of Offer:

Sr. No	Name, Designation, Term, Period of Directorship, DIN, Occupation, Date of Birth and Address	Age (in years)	Other Directorships
1.	<p>Prakash Chandra Parakh</p> <p>Designation: Independent Director</p> <p>Term: Appointed with effect from August 21, 2015, up to the period ending August 20, 2020</p> <p>Period of Directorship: Director since March 7, 2007</p> <p>DIN: 01305775</p> <p>Occupation: Professional</p> <p>Date of Birth: December 20, 1945</p> <p>Address: 4-A1 Jaagruthi Residency, East Marredpally, Secunderabad – 500 026</p>	73	<i>Nil</i>
2.	<p>Dipak Kumar Banerjee</p> <p>Designation: Independent Director</p> <p>Term: Appointed with effect from July 15, 2014, up to the period ending July 14, 2019</p> <p>Period of Directorship: Director since May 9, 2003</p> <p>DIN: 00028123</p> <p>Occupation: Professional</p> <p>Date of Birth: February 19, 1946</p> <p>Address: 57A, Garcha Road, Ballygunge, Kolkata - 700019</p>	73	<ol style="list-style-type: none"> 1. The Tinsplate Company of India Limited 2. DIC India Limited 3. Tayo Rolls Limited 4. Rupa & Company Limited 5. Shristi Infrastructure Development Corporation Limited 6. MJunction Services Limited 7. A. Treds Limited
3.	<p>Manoj Thankachan Thomas</p> <p>Designation: Independent Director</p> <p>Term: Appointed with effect from July 15, 2014, up to the period ending July 14, 2019</p> <p>Period of Directorship: Director since September 12, 2011</p>	50	<ol style="list-style-type: none"> 1. Tata Steel Special Economic Zone Limited

Sr. No	Name, Designation, Term, Period of Directorship, DIN, Occupation, Date of Birth and Address	Age (in years)	Other Directorships
	<p>DIN: 03614981</p> <p>Occupation: Professional</p> <p>Date of Birth: January 26, 1969</p> <p>Address: H. No. 74, A-Block, XLRI Campus, C.H. Area, Bistupur, Jamshedpur – 831 001</p>		
4.	<p>Omkar Nath Mohanty</p> <p>Designation: Independent Director</p> <p>Term: Appointed with effect from August 21, 2015, up to the period ending July 15, 2019</p> <p>Period of Directorship: Director since July 16, 2014</p> <p>DIN: 03058576</p> <p>Occupation: Professional</p> <p>Date of Birth: January 10, 1945</p> <p>Address: Plot No. 200, Unit- 3, Kharavel Nagar, Bhubaneswar – 751 001</p>	74	<ol style="list-style-type: none"> 1. RSB Metaltech Private Limited 2. RSB Castings Limited
5.	<p>Meena Lall</p> <p>Designation: Non-Executive, Non-Independent Director</p> <p>Term: Appointed with effect from August 16, 2014. Liable to retire by rotation.</p> <p>Period of Directorship: Director since August 16, 2014</p> <p>DIN: 05133322</p> <p>Occupation: Professional</p> <p>Date of Birth: August 14, 1964</p> <p>Address: B-228, 2nd Floor, Greater Kailash-1, New Delhi – 110 049</p>	54	<ol style="list-style-type: none"> 1. TSIL Energy Limited 2. Bhushan Energy Limited
6.	<p>Sanjay Kumar Pattnaik</p> <p>Designation: Managing Director</p> <p>Term: For a period of three years with effect from November 1, 2016</p> <p>Period of Directorship: Director since August 16, 2014</p>	59	<ol style="list-style-type: none"> 1. Federation of India Mineral Industries 2. T M Mining Company Limited 3. TSIL Energy Limited

Sr. No	Name, Designation, Term, Period of Directorship, DIN, Occupation, Date of Birth and Address	Age (in years)	Other Directorships
	<p>DIN: 00256832</p> <p>Occupation: Service</p> <p>Date of Birth: July 2, 1959</p> <p>Address: Plot No. 337, Gautam Nagar, Bhubaneshwar, Odisha - 751014</p>		
7.	<p>Sougata Ray</p> <p>Designation: Additional Director (Independent & Non-Executive)</p> <p>Term: Appointed with effect from January 12, 2019 up to the date of the ensuing AGM</p> <p>Period of Directorship: Director since January 12, 2019</p> <p>DIN: 00134136</p> <p>Occupation: Professor</p> <p>Date of Birth: September 10, 1968</p> <p>Address: NF - 3/16, Indian Institute of Management Calcutta, Joka, Kolkata – 700104.</p>	50	<ol style="list-style-type: none"> 1. The Tinplate Company of India Limited 2. Neenomega Intelligent Solutions Private Limited 3. CINI Community Initiatives (Section 8 Company) 4. Xpertifi Skills Tech Private Limited
8.	<p>Narendran Viswanath Thachat</p> <p>Designation: Additional Director (Non-Independent & Non-Executive)</p> <p>Term: Appointed with effect from January 12, 2019 up to the date of the ensuing AGM</p> <p>Period of Directorship: Director since January 12, 2019</p> <p>DIN: 03083605</p> <p>Occupation: Service</p> <p>Date of Birth: June 2, 1965</p> <p>Address: No.5, 'C' Road, Northern Town, Jamshedpur - 831001</p>	54	<ol style="list-style-type: none"> 1. Tata Steel Limited 2. Tata Steel Europe Limited 3. Tata Steel BSL Limited 4. Tata Steel Foundation 5. Straight Mile Steel Limited 6. Sakchi Steel Limited 7. Noamundi Steel Limited 8. Jugsalai Steel Limited
9.	<p>Koushik Chatterjee</p> <p>Designation: Additional Director (Non-Independent & Non-Executive)</p> <p>Term: Appointed with effect from January 12, 2019 up to the date of the ensuing AGM</p>	50	<ol style="list-style-type: none"> 1. Tata Steel Limited 2. Tata Steel BSL Limited 3. Tata Steel Europe Limited 4. Tata Steel Foundation 5. World Steel Association, Belgium 6. Tata Metaliks Limited 7. The Tinplate Company of

Sr. No	Name, Designation, Term, Period of Directorship, DIN, Occupation, Date of Birth and Address	Age (in years)	Other Directorships
	<p>Period of Directorship: Director since January 12, 2019</p> <p>DIN: 00004989</p> <p>Occupation: Service</p> <p>Date of Birth: September 3, 1968</p> <p>Address: NCPA Residential Apt, A Wing, 22nd Floor, Flat No. 221, Nariman Point, Mumbai - 400021</p>		<p>India Limited</p> <p>8. TS Global Holdings Pte Limited, Singapore</p> <p>9. TS Global Minerals Holdings Pte Limited, Singapore</p> <p>10. TS Global Procurement Co. Pte. Limited, Singapore</p>
10.	<p>Ashish Anupam</p> <p>Designation: Additional Director (Non-Independent & Non-Executive)</p> <p>Term: Appointed with effect from March 14, 2019 up to the date of the ensuing AGM</p> <p>Period of Directorship: Director since March 14, 2019</p> <p>DIN: 08384201</p> <p>Occupation: Service</p> <p>Date of Birth: October 26, 1968</p> <p>Address: F 1/2 River View Enclave, Telco Colony, Tatanagar, Jamshedpur, Jharkhand – 831004</p>	50	<p>1. TSIL Energy Limited</p> <p>2. Tata Steel (Thailand) Public Company Limited</p> <p>3. NatSteel Holdings Pte. Limited</p> <p>4. NatSteel Asia Pte. Limited</p> <p>5. Tata Steel International (Singapore) Holdings Pte. Limited</p> <p>6. Easteel Services (Malaysia) Sdn Bhd.</p> <p>7. NatSteel Recycling Pte. Limited</p> <p>8. NatSteel Trade International Pte Limited</p> <p>9. NatSteelVina Co. Limited</p> <p>10. The Indian Steel & Wire Products Limited</p> <p>11. The Siam Industrial Wire Co. Limited</p> <p>12. TSN Wires Co. Limited</p> <p>13. Tata Steel International (Singapore) Pte. Limited</p> <p>14. Bhushan Steel (Australia) Pty Limited</p>

Relationship between Directors

None of the Directors are related to one another.

Brief Biographies of the Directors

Prakash Chandra Parakh, aged 73 years, is an Independent Director of our Company. He was appointed pursuant to a resolution passed by the shareholders of our Company at the AGM held on August 21, 2015 for a term of five years with effect from August 21, 2015. He holds a master's degree in science from the University of Bath, United Kingdom. Further, he has also completed his master's degree in Applied Geology from IIT, Roorkee. Currently, he is a member of the Stakeholders' Relationship Committee and the chairperson of the Audit Committee.

Dipak Kumar Banerjee, aged 73 years, is an Independent Director of our Company. He was appointed pursuant to a resolution passed by the shareholders of our Company at the AGM held on July 15, 2014 for a term of five years with effect from July 15, 2014. He is a qualified chartered accountant and a fellow member of the Institute of Chartered Accountants of India. Currently, he is a member of the Nomination and Remuneration Committee, Audit Committee and Committee of the Board.

Manoj Thankachan Thomas, aged 50 years, is an Independent Director of our Company. He was appointed pursuant to a resolution passed by the shareholders of our Company at the AGM held on July 15, 2014 for a term of five years with effect from July 15, 2014. He holds a bachelor's degree in civil engineering and a master's degree in philosophy in development studies from the Dr. B.R. Ambedkar Open University. Further, he has also been conferred the title of "*Fellow of the Institute of Rural Management Anand*" by the Institute of Rural Management Anand. Currently, he is the chairperson of the Nomination and Remuneration Committee and a member of the Corporate Social Responsibility Committee.

Omkar Nath Mohanty, aged 74 years, is an Independent Director of our Company. He was appointed pursuant to a resolution passed by the shareholders of our Company at the AGM held on August 21, 2015 for a term up to July 15, 2019. He holds a bachelor's and master's degree in metallurgical engineering from IIT, Kharagpur. He also holds a doctoral degree from the University of Karlsruhe, Germany. Currently, he is a member of the Audit Committee and Committee of the Board.

Meena Lall, aged 54 years, is a Non-Executive, Non-Independent Director of our Company. She was appointed pursuant to a resolution passed by the shareholders of our Company at the AGM held on August 21, 2015, with effect from August 16, 2014, and is liable to retire by rotation. She holds a bachelor's degree in law and a bachelor's degree in science from Rani Durgavati Vishwavidyalaya, Jabalpur. She is the chairperson of the Risk Management Committee.

Sanjay Kumar Pattnaik, aged 59 years, is the Managing Director of our Company. He was appointed pursuant to a resolution passed by the shareholders of our Company at the AGM held on August 4, 2017 for a term of three years with effect from November 1, 2016. He holds a bachelor's degree in mining engineering from Osmania University. Further, he has successfully completed the General Management Programme from the European Centre for Executive Development (CEDEP). Further, he is a member of the Corporate Social Responsibility Committee, Risk Management Committee, Stakeholders' Relationship Committee and Committee of the Board.

Sougata Ray, aged 50 years, is the Additional Director (Independent & Non-Executive) of our Company. He was appointed pursuant to a resolution passed by the Board of Directors at the meeting held on January 12, 2019 and shall hold office up to the date of the ensuing AGM. He holds a bachelor's degree in engineering from the University of Calcutta. Further, he has successfully completed the "*Fellow Programme in Management*" from The Indian Institute of Management, Ahmedabad. He is the chairperson of the (i) Stakeholders' Relationship Committee, and (ii) Corporate Social Responsibility Committee.

Narendran Viswanath Thachat, aged 54 years, is the Additional Director (Non-Independent & Non-Executive) of our Company. He was appointed pursuant to a resolution passed by the Board of Directors at the meeting held on January 12, 2019 and shall hold office up to the date of the ensuing AGM. He holds a bachelor's degree in mechanical engineering from Regional Engineering College (National Institute of Technology), Trichy. Further, he holds a "*Post-Graduate Diploma in Management*" from the Indian Institute of Management, Calcutta. He has also attended the General Management Programme in the European Centre for Continuing Education. He is a member of the Nomination and Remuneration Committee, and chairman of the Committee of Board.

Koushik Chatterjee, aged 50 years, is the Additional Director (Non-Independent & Non-Executive) of our Company. He was appointed pursuant to a resolution passed by the Board of Directors at the meeting held on January 12, 2019 and shall hold office up to the date of the ensuing AGM. He holds a bachelor's degree in commerce from the University of Calcutta. Further, he is a fellow member of the Institute of Chartered Accountants of India. He is a member of the (i) Audit Committee, (ii) Nomination and Remuneration Committee, and (iii) Committee of Board.

Ashish Anupam, aged 50 years, is the Additional Director (Non-Independent & Non-Executive) of our Company. He was appointed pursuant to a resolution passed by the Board of Directors at the meeting held on March 14, 2019 and shall hold office up to the date of the ensuing AGM. He holds a bachelor's degree in mechanical engineering from Birla Institute of Technology, Mesra. Currently, he is serving as President and CEO of NatSteel Holdings Pte. Limited.

Certain Confirmations

1. None of the Directors is or was a director of any listed company during the five years preceding the date of filing of this Letter of Offer, whose equity shares have been or were suspended from being traded on BSE or NSE, during the term of their directorship in such company.
2. None of the Directors is or was a director of any listed company which has been or was delisted from BSE or NSE during the term of their directorship in such company in the past ten years.
3. None of our Directors are or have been categorized as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI.
4. None of our Directors have been declared as fugitive economic offender under section 12 of the Fugitive Economic Offenders Act, 2018.

Service Contracts with the Directors for Benefits upon Termination

No service contracts have been entered into by the Directors with our Company providing for benefits upon termination of employment.

Arrangement or Understanding with Major Shareholders, Customers, Suppliers or Others in Respect of Selection of Directors

In terms of Article 110 of the Articles of Association, during such time as Tata Steel Limited holds not less than 26% of the issued share capital of our Company, Tata Steel Limited shall have the right to appoint one person as director of our Company and to remove such person from that office and on a vacancy caused in such office from any cause, whether by resignation, removal or otherwise, to appoint another in the vacancy. The director so appointed shall be known as “*Special Director*” who shall not be subject to retirement by rotation or be removed from office, except by Tata Steel Limited. The “*Special Director*” so appointed shall be the Chairman of the Board of Directors.

Except as set out above, as of the date of this Letter of Offer, there are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which our Company has appointed a Director.

SECTION VI – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Sr. No.	Particulars	Page Nos.
1.	Financial Statements	104
2.	Special Purpose Carve-Out Financial Statements	164

INDEPENDENT AUDITOR’S REPORT

TO THE MEMBERS OF TATA SPONGE IRON LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

1. We have audited the accompanying consolidated financial statements of Tata Sponge Iron Limited (hereinafter referred to as the “Holding Company”) and its subsidiary (Holding Company and its subsidiary together referred to as “the Group”), which comprise the consolidated Balance Sheet as at March 31, 2019, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as “the consolidated financial statements”).
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (“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 March 31, 2019, their consolidated total comprehensive income (comprising of profit and other comprehensive income), their consolidated changes in equity and their consolidated cash flows for the year then ended.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>(a) Recoverability of expenses incurred towards Radhikapur (East) Coal Block, Odisha; and</p> <p>(b) Appropriateness of disclosure of contingent liability in respect of performance guarantee for coal block allocation</p> <p>Refer Note 31 to the consolidated financial statements on Radhikapur (East) Coal Block</p> <p>The Group has financial exposure aggregating to Rs. 17,905 lacs (reflected in the consolidated financial statements as capital advances – Rs. 16,792 lacs, property, plant and equipment – Rs. 578 lacs, and capital work in progress – Rs. 535 lacs) incurred in earlier years, on the Radhikapur (East) Coal Block, which was deallocated pursuant to Order of the Hon’ble Supreme Court of India in 2014.</p> <p>Coal Mines (Special Provisions) Rules, 2014, promulgated pursuant to the aforesaid Order, prescribes that the successful bidder will be called upon to pay to the prior allocattee the expenses incurred by the prior allocattee towards land and mine infrastructure. The Group has submitted the statement of expenses and other details to the Nominated Authority of the Ministry of Coal (‘MoC’). The above matter is pending as on the balance sheet date.</p>	<p>Our audit procedures included the following:</p> <p>(a) Evaluation of the design and testing of operating effectiveness of the controls implemented by the management to assess the recoverability of expenses incurred towards Radhikapur (East) Coal Block and related disclosures in the consolidated financial statements.</p> <p>(b) Obtained an understanding for the basis of the management’s judgement including discussion with the Group’s in-house legal counsel.</p> <p>(c) Tested a sample of expenses incurred on the coal block.</p> <p>(d) Considered the legal opinion obtained by the management to understand the status and the management’s assessment of the likely outcome of the on-going litigation.</p>

Key audit matter	How our audit addressed the key audit matter
<p>The MoC issued notice for invocation of bank guarantee in November 2012 towards performance conditions for original allocation of the coal block amounting to Rs. 3,250 lacs, for which the Group filed a writ petition in Hon'ble High Court of Delhi. The bank guarantee had lapsed and not renewed after November 2015 as the Hon'ble High Court of Delhi had directed the Group to keep the bank guarantees live and MoC to take decision by that date, however, there was no communication from MoC by the said date. MoC again issued notice for invocation of bank guarantee / depositing amount in December 2015 for which the Group has again filed a writ petition before Hon'ble High Court of Delhi, which is pending adjudication. Pending finalisation of the matter, the amount has been disclosed as contingent liabilities.</p> <p>This was considered to be a key audit matter as significant judgements are involved regarding recoverability of the aforesaid amount incurred and possible obligation related to bank guarantee that is subject to decision / approvals of the regulatory authorities.</p>	<p>(e) Obtained evidence supporting the on-going discussions of the Group with the MoC/ Nominated Authority of MoC.</p> <p>Based on the above work performed, we found the management's judgement on assessment of recoverability of the related expenses incurred and the disclosure of the contingent liability in respect of performance guarantee for coal block allocation, to be reasonable.</p>

Other Information

- The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information in the Corporate Profile and the Director's Report alongwith the Annexures to the Director's Report included in the Holding Company's annual report (titled as Tata Sponge Iron Limited Integrated Report & Annual Accounts 2018-19), but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

- The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified 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; 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated 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 financial statements by the Directors of the Holding Company, as aforesaid.
- In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

TATA SPONGE IRON LIMITED

8. The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.
11. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding

independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

14. As required by Section 143(3) of the Act, 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 financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors of the Holding Company taken on record by the Board of Directors of the Holding Company and its subsidiary respectively, none of the directors of the Group is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.

TATA SPONGE IRON LIMITED

- (f) With respect to the adequacy of internal financial controls with reference to consolidated financial statements of the Group 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 Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact, if any, of pending litigations as at March 31, 2019 on the consolidated financial position of the Group – Refer Note 30 and 31 to the consolidated financial statements.
 - ii. The Group did not have any material foreseeable losses on long-term contracts as on March 31, 2019. There Group did not have any derivative contracts as at March 31, 2019 – Refer Note 40 to the consolidated financial statements.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary company incorporated in India during the year ended March 31, 2019, except for amounts aggregating to Rs. 4.82 lacs relating to the Holding Company, which according to information and explanations provided by management is held in abeyance due to pending legal cases. Refer Note 44 of the consolidated financial statements.
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2019.

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/E-300009

Chartered Accountants

Pinaki Chowdhury

Partner

Membership Number: 057572

Kolkata
April 18, 2019

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of Tata Sponge Iron Limited on the consolidated financial statements as of and for the year ended March 31, 2019

REPORT ON THE INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE CONSOLIDATED FINANCIAL STATEMENT UNDER CLAUSE (i) OF SUB SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013

1. In conjunction with our audit of the consolidated financial statements of Tata Sponge Iron Limited (hereinafter referred to as "the Holding Company") as of and for the year ended March 31, 2019, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary company, which are companies incorporated in India, as of that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

2. The respective Board of Directors of the Holding company and its subsidiary company to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on 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 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 Act.

AUDITOR'S RESPONSIBILITY

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to consolidated financial statements 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 ICAI 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 with reference to consolidated financial statements 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, 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.
5. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company and its subsidiary Company's internal financial controls with reference to consolidated financial statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements 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 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 WITH REFERENCE TO FINANCIAL STATEMENTS

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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 Holding Company, its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2019, 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

Pinaki Chowdhury

Partner

Membership No.: 057572

Kolkata
April 18, 2019

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2019

	Notes	As at 31 March, 2019	Rs. in lacs As at 31 March, 2018
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	03	21,973.09	14,666.50
(b) Capital work-in-progress	03	739.39	582.19
(c) Intangible assets	04	59.11	233.03
(d) Financial assets			
(i) Investments	05	12,155.56	7,171.68
(ii) Loans	06	11.28	15.29
(iii) Other financial assets	07	86.45	6,412.84
(e) Non current tax assets (net)	19 A	2,973.73	2,812.63
(f) Other non-current assets	08	24,822.36	17,478.59
Total non-current assets		62,820.97	49,372.75
(2) Current assets			
(a) Inventories	09	11,527.69	8,408.87
(b) Financial assets			
(i) Investments	05	12,217.37	12,800.83
(ii) Trade receivables	10	7,845.45	5,880.50
(iii) Cash and cash equivalents	11 (i)	16,320.64	11,251.88
(iv) Other bank balances	11 (ii)	18,420.38	30,911.33
(v) Loans	06	227.03	252.20
(vi) Other financial assets	07	1,294.06	929.29
(c) Other current assets	08	1,771.13	1,628.34
Total current assets		69,623.75	72,063.24
Total assets		1,32,444.72	1,21,435.99
EQUITY AND LIABILITIES			
(1) Equity			
(a) Equity share capital	12	1,540.00	1,540.00
(b) Other equity	13	1,06,822.74	97,112.60
Total equity		1,08,362.74	98,652.60
(2) Liabilities			
Non-current liabilities			
(a) Provisions	14	1,190.03	1,168.89
(b) Deferred tax liabilities (net)	15	1,820.48	1,798.21
Total non-current liabilities		3,010.51	2,967.10
Current liabilities			
(a) Financial liabilities			
(i) Trade payables	16		
(A) total outstanding dues of micro enterprises and small enterprises		106.62	176.10
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		7,404.40	6,515.93
(ii) Other financial liabilities	18	425.23	422.78
(b) Other current liabilities	17	2,247.76	2,166.12
(c) Provisions	14	5,497.13	5,145.03
(d) Current tax liabilities (net)	19	5,390.33	5,390.33
Total current liabilities		21,071.47	19,816.29
Total liabilities		24,081.98	22,783.39
Total equity and liabilities		1,32,444.72	1,21,435.99

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2019

		Notes	Year ended 31 March, 2019	Year ended 31 March, 2018
I	Revenue from operations	20	99,205.30	81,664.54
II	Other income	21	5,773.10	4,306.36
III	Total income (I + II)		1,04,978.40	85,970.90
IV	Expenses:			
	Cost of materials consumed	22	70,868.77	50,058.31
	Changes in inventories of finished goods	23	13.83	(473.47)
	Excise duty on sale of goods		-	1,647.81
	Employee benefits expense	24	4,486.75	4,180.44
	Finance costs	25	302.18	324.67
	Depreciation and amortisation expense	26	1,157.90	1,230.28
	Other expenses	27	9,366.87	7,982.29
	Total expenses (IV)		86,196.30	64,950.33
V	Profit before tax (III - IV)		18,782.10	21,020.57
VI	Tax expense:			
	(1) Current tax	27.1A	6,575.00	7,099.00
	(2) Deferred tax	15	(231.57)	(166.38)
	Total tax expense VI		6,343.43	6,932.62
VII	Profit for the year (V - VI)		12,438.67	14,087.95
VIII	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	(a) Remeasurement gain / (loss) of the defined benefit plans		(9.59)	170.13
	(b) Income tax relating to above		3.35	(58.88)
	(c) Changes in fair value of FVOCI equity instruments		1,248.00	-
	(d) Income tax relating to above		(257.19)	-
IX	Total other comprehensive income		984.57	111.25
X	Total comprehensive income for the year (VII+VIII) (Comprising profit and other comprehensive income for the year)		13,423.24	14,199.20
XI	Earnings per equity share (face value of Rs. 10 each) :			
	(1) Basic (in Rs.)	29	80.77	91.48
	(2) Diluted (in Rs.)		80.77	91.48

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2019

A) EQUITY SHARE CAPITAL

Rs. in lacs

	Notes	
(a) As at 1 April, 2017	12	1,540.00
Changes in equity share capital during the year		-
As at 31 March, 2018		1,540.00
Changes in equity share capital during the year		-
As at 31 March, 2019		1,540.00

B) OTHER EQUITY

Rs. in lacs

Particulars	Notes	Reserves and surplus			Other reserves	Total
		General reserves	Retained earnings	Remeasurement gains / (losses) on defined benefit plans	Equity instruments through other comprehensive income	
As at 1 April, 2017	13	77,000.00	8,194.50	(242.24)	-	84,952.26
Profit for the year		-	14,087.95	-	-	14,087.95
Remeasurement gains / (losses) on defined benefit plans		-	-	170.13	-	170.13
Tax impact on items of other comprehensive income (OCI)		-	-	(58.88)	-	(58.88)
Transactions with the owners in their capacity as owners						
Dividend paid during the year	28 (b) (ii)	-	(1,694.00)	-	-	(1,694.00)
Tax on dividend	28 (b) (ii)	-	(344.86)	-	-	(344.86)
Balance as at 31 March, 2018	13	77,000.00	20,243.59	(130.99)	-	97,112.60
Profit for the year		-	12,438.67	-	-	12,438.67
Changes in fair value of FVOCI equity instruments		-	-	-	1,248.00	1,248.00
Remeasurement gains / (losses) on defined benefit plans		-	-	(9.59)	-	(9.59)
Tax impact on items of other comprehensive income (OCI)		-	-	3.35	(257.19)	(253.84)
Transactions with the owners in their capacity as owners						
Dividend paid during the year	28 (b) (ii)	-	(3,080.00)	-	-	(3,080.00)
Tax on dividend	28 (b) (ii)	-	(633.10)	-	-	(633.10)
Transfer to/from general reserve		13,000.00	(13,000.00)	-	-	-
Balance as at 31 March, 2019	13	90,000.00	15,969.16	(137.23)	990.81	106,822.74

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH, 2019

	Year ended 31 March, 2019	Rs. in lacs Year ended 31 March, 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	18,782.10	21,020.57
Adjustments for:		
Depreciation and amortisation expense	1,157.90	1,230.28
Amortisation of lease hold land	0.47	0.47
Changes in fair value of financial assets at fair value through profit and loss	2.21	(4.48)
Changes in fair value of non - current financial assets at fair value through profit and loss	(735.89)	(91.68)
Dividend received from equity investments	(88.00)	(74.48)
Dividend from current investments	(680.94)	(1,126.62)
Gain on sale of current investments	(0.79)	-
Loss /(gain) on disposal of property, plant and equipment	(6.59)	3.49
Interest income	(3,915.98)	(2,762.55)
Finance cost	302.18	324.67
Liabilities no longer required written back	(192.17)	(0.29)
Operating profit before working capital changes	14,624.50	18,519.38
Changes in operating assets and liabilities:		
(Increase) in Inventories	(3,118.82)	(3,501.21)
(Increase) in Trade receivables	(1,964.95)	(2,303.83)
(Increase) in Other current assets	(142.79)	(893.85)
Decrease in Loans	25.17	27.71
Decrease in Other financial assets	-	155.90
Decrease / (Increase) in Other non-current assets	6,180.80	(5,395.94)
Increase in Trade payables	818.99	1,438.42
Increase in Other financial liabilities	3.11	46.78
Increase in Other-current liabilities	273.81	860.06
Increase in Provisions - current	40.33	210.77
Increase / (Decrease) in Provisions - non current	21.14	(112.50)
Cash generated from operations	16,761.29	9,051.69
Income taxes paid	(6,736.10)	(4,943.53)
Net cash generated from operating activities	10,025.19	4,108.16
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment (including capital advances)	(15,843.31)	(680.98)
Proceeds from disposal of property, plant and equipment	13.95	1.21
Payments to acquire current investments	(51,370.94)	(42,761.62)
Payments to acquire Non- current investments	(2,999.99)	(7,000.00)
Proceeds from disposal of current investments	51,952.98	56,220.60
Fixed deposits (placed) / matured (net)	12,530.78	(30,684.00)
Interest received	3,704.26	2,398.53
Dividend received from equity investments	88.00	74.48
Dividend received from current investments	680.94	1,126.62
Net cash generated/(used) in investing activities	(1,243.33)	(21,305.16)
C. CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	(3,080.00)	(1,674.34)
Tax on dividend paid	(633.10)	(344.86)
Net cash used in financing activities	(3,713.10)	(2,019.20)
Net increase/(decrease) in cash or cash equivalents	5,068.76	(19,216.20)
Cash and cash equivalents at the beginning of the year (Refer note 11)	11,251.88	30,468.08
Cash and cash equivalents at the end of the year (Refer note 11)	16,320.64	11,251.88

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP BACKGROUND

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) have a presence across the manufacture of sponge iron and generation of power from waste heat as detailed under segment information in Note 35 to the consolidated financial statements.

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. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

The consolidated financial statements were approved and authorised for issue with the resolution of the Company's Board of Directors on April 18, 2019.

SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with Ind AS

The consolidated financial statements comply in all material aspects with Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

(ii) Historical Cost Convention

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- (i) certain financial assets and liabilities that is measured at fair value;
- (ii) defined benefit plans — plan assets measured at fair value.

(iii) Current versus Non-current Classification

The Group presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- i. expected to be realised or intended to be sold or consumed in the normal operating cycle,
- ii. held primarily for the purpose of trading,
- iii. expected to be realised within twelve months after the reporting period, or
- iv. cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- i. it is expected to be settled in the normal operating cycle,
- ii. it is incurred primarily for the purpose of trading,
- iii. it is due to be settled within twelve months after the reporting period, or
- iv. there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current.

(b) Basis of consolidation

The Consolidated Ind AS Financials Statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved when the Group:

- 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 Group 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 Group 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 Group considers all

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group from other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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 Group 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 Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group 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 Group.

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.

(c) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised as an expense in the Consolidated Statement of Profit and Loss during the reporting period in which they are incurred.

Depreciation Method, Estimated Useful Lives and Residual Values

Depreciation on property, plant and equipment is calculated on a pro-rata basis using the straight-line method to allocate their cost, net of their estimated residual values, over their estimated useful lives. The useful lives determined are in line with the useful lives prescribed in Schedule II to the Act except in respect of furniture and fixtures and vehicles, in whose case the life of the assets has been assessed, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The estimated useful lives of property, plant and equipment are as under:

Category of assets	Useful life
Building	3 – 60 years
Plant and machinery	5 – 25 years
Office equipment	5 – 10 years
Furniture and fixtures	5 years
Vehicles	5 years

Each component of an item of property, plant and equipment with a cost that is significant in relation to the cost of that item is depreciated separately if its useful life differs from the other components of the item.

The useful lives, residual values and the method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Consolidated Statement of Profit or Loss within 'Other Income'/'Other Expenses'. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as 'Capital Advances' under other non-current assets and the cost of property, plant and equipment not ready to use are disclosed under 'Capital Work-in progress'.

(d) Intangible assets

Railway sidings (constructed)

Railway sidings is included in the Consolidated Balance Sheet as an intangible asset where it is clearly linked to long term economic benefits for the Group. In this case it is measured at cost of construction and then amortised on a straight-line basis over their estimated useful lives.

Amortisation Method and Period

Railway sidings amortised on a straight-line basis over their estimated useful lives i.e., 5 years.

Computer Software (acquired)

Software for internal use, which is primarily acquired from third-party vendors is capitalised. It has a finite useful life and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs associated with maintaining such software are recognised as expense as incurred. Cost of software includes license fees and cost of implementation/system integration services, where applicable.

Amortisation Method and Period

Intangible assets are amortised over a period of 5 years. Amortisation method and useful lives are reviewed periodically including at each financial year end.

(e) Research and Development

Research costs are expensed as incurred. Expenditure on development that do not meet the specified criteria under Ind AS 38 on 'Intangible Assets' are recognised as an expense as incurred.

(f) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(g) Leases

As A Lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are recognised as expense in the Consolidated Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

(h) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

or loss.

(i) Investments and Other Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of cash flows.

For assets measured at fair value, gains and losses are recorded either in profit or loss or other comprehensive income. For investments in debt instruments, this depends on the business model in which the investment is held. For investments in equity instruments, this depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies the debt investments when and only when the business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are recognised as expense in profit or loss.

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instrument as amortised cost measurement categories. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost is recognised in

profit or loss when the asset is derecognised or impaired.

Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'Other Income' in the Statement of Profit and Loss.

(iii) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets which are not fair valued through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 28 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109, 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Derecognition of financial assets

A financial asset is derecognised only when the Group has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continuing involvement in the financial asset.

(v) Dividend Income

Dividend is recognised as other income in the consolidated statement of profit and loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

(vi) Fair Value of Financial Instruments

In determining the fair value of financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis and available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may never actually be realised.

(vii) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty

(j) Trade Receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(k) Employee Benefits**A. Short-term Employee Benefits**

Liabilities for short-term employee benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as

'Provision for Employee Benefits' within 'Current Provisions' in the Balance Sheet.

B. Post-employment Benefits**i) Defined Benefit Plans**

The liability or asset recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in 'Employee Benefits Expense' in the Statement of Profit and Loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in Other Comprehensive Income. These are included in 'Retained Earnings' in the Consolidated Statement of Changes in Equity.

ii) Defined Contribution Plans

Contributions under Defined Contribution Plans payable in keeping with the related schemes are recognised as expenses for the period in which the employee has rendered the service.

C. Other Long –term Employee Benefits

The liabilities for compensated absences which are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are considered other long term benefits. They are therefore measured annually by actuaries as the present value of expected future benefits in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented under 'Provision for Employee Benefits' within 'Current Provisions' in the Consolidated Balance Sheet if the entity does not have an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(l) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax credits and to unused tax losses.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences, tax credits and losses.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises cost of purchases and all other costs incurred in bringing the inventories to their present location and condition. Finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Provisions and Contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

A disclosure for contingent liabilities is made when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources embodying economic benefits will be required to settle or a reliable estimate of the amount cannot be made.

(o) Revenue recognition

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Effective April 1, 2018, the Group has applied Ind AS 115 – Revenue from Contracts with Customers, using the retrospective effect method.

Pursuant to adoption of Ind AS 115, Revenue from contracts with customers are recognised when the control over the goods or services promised in the contract are transferred to the customer. The amount of revenue recognised depicts the transfer of promised goods and services to customers for an amount that reflects the consideration to which the Group is entitled to in exchange for the goods and services.

A. Sale of goods

Revenue from sale of goods is recognised when the control over such goods have been transferred, being when the goods are delivered to the customers. Delivery occurs when the products have been shipped or delivered to the specific location as the case may be, risks of loss have been transferred to the customers, and either the customer has accepted the goods in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue from these sales are recognised based on the price specified in the contract, which is fixed. No element of financing is deemed present as the sales are made against the receipt of advance or with an agreed credit period (in a very few cases) of upto 90 days, which is consistent with the market practices. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only passage of time is required before payment is done.

B. Sale of Power

Revenue from the sale of power is recognised when the control has been transferred to the customer, being when the power have been transmitted to the buyer as per the terms of contract with the customer. Revenue from sale of power is recognised based on the price specified in the agreement, which is fixed. No element of financing is deemed present as the sales are made with an agreed credit period of 30 days, which is consistent with the market practices. A receivable is recognised when the power have been transmitted as this is the point in time that the consideration is unconditional because only passage of time is required before payment is done.

C. Other Operating Revenue

Revenue from sale of coal fines, char and iron ore fines are recognized when the control over such goods have been transferred being when the goods are delivered to the customers. Delivery occurs when the products have been shipped or delivered to the specific location as the case may be, risks of loss have been transferred to the customers, and either the customer has accepted the goods in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue from these sales are recognised based on the price specified in the contract, which is fixed. No element of financing is deemed present as the sales are made against the receipt of advance or with an agreed credit period of upto 30 days (in very few cases), which is consistent with the market practices. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only passage of time is required before payment is done.

(p) Other Income

(i) Interest Income

Interest Income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

(q) Foreign currency transactions and translation

(i) Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Indian Rupee (Rs.), which is the Group's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. At the year-end, monetary assets and liabilities denominated in foreign currencies are restated at the year - end exchange rates. The exchange differences arising from settlement of foreign currency transactions and from the year-end restatement are recognised in profit and loss.

All other foreign exchange gains and losses are presented in the Statement of Profit and Loss on a net basis within 'Other Income'/'Other Expenses'. Non-monetary items that are measured at fair value in a foreign currency are translated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(r) Borrowings 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.

(s) Earnings per Share

Basic Earnings per Share

Basic earnings per equity share is computed by dividing profit or loss attributable to owners of the Group by the weighted average number of equity shares outstanding during the financial year.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

(t) Cash and cash equivalents

For the purpose of presentation in the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(u) Trade Payables

Trade Payables represent liabilities for goods and services

provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(v) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Managing Director of the Group. Refer Note 35 for segment information presented.

(w) Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest Lacs (Rs. 00,000) as per the requirement of schedule III, unless otherwise stated.

(x) Use of estimates and critical accounting judgments

The preparation of consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions, that impact the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the years presented. 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 impacted.

This Note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each impacted line item in the consolidated financial statements.

The areas involving critical estimates or judgements are:

A. Employee Benefits (Estimation of Defined Benefit Obligation) - Refer Note 2(k) and 34

Post-employment benefits represents obligation that will

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit cost over the employee's approximate service period, based on the terms of plans and the investment and funding decisions made. The accounting requires the group to make assumptions regarding variables such as discount rate, rate of compensation increase and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations.

B. Estimation of expected useful lives and residual values of property, plants and equipment - Refer Note 2(c) and 3

Management reviews its estimate of useful life of property, plant & equipment at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of property, plant & equipment.

C. Contingencies - Refer Note 2(n), 30 and 31

Legal proceedings covering a range of matters are pending against the Group. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcomes. The cases and claims against the Group often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law, in the normal course of business, the Group consults with legal counsel and certain other experts on

matters related to litigations. The Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

D. Deferred Taxes Refer Note - Refer Note 2 (l) and 15

Deferred income tax expense is calculated based on the differences between the carrying value of assets and liabilities for financial reporting purposes and their respective tax bases that are considered temporary in nature. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred tax benefit. Expected recoverability may result from expected taxable income in the future, planned transactions or planned optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability.

E. Fair value measurements of financial instruments – Refer Note 2(i)(vi) and 28

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including Discounted Cash Flow Model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risks, credit risks and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

03 PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS

Carrying amounts of:	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
Freehold land	8,589.18	564.08
Freehold buildings	2,375.30	2,510.14
Plant and equipment	10,618.76	11,343.05
Furniture and fixtures	12.32	12.85
Office equipment	256.69	142.63
Vehicles	120.84	93.75
Sub-total	21,973.09	14,666.50
Capital work-in-progress	739.39	582.19
Total	739.39	582.19

	Rs. in lacs						
	Freehold land	Freehold buildings	Plant and equipment	Furniture and fixtures	Office equipment	Vehicles	Total
Cost / deemed cost							
Balance as at 1 April, 2017	229.42	3,017.27	12,979.98	18.32	152.96	100.31	16,498.26
Additions during the year	334.66	157.57	19.41	12.87	82.82	46.82	654.15
Assets disposed / written off during the year	-	-	51.18	0.38	10.54	9.99	72.09
Balance as at 31 March, 2018	564.08	3,174.84	12,948.21	30.81	225.24	137.14	17,080.32
Additions during the year	8,025.10	27.43	-	5.88	179.00	60.52	8,297.93
Assets disposed / written off during the year	-	-	30.69	-	2.23	52.81	85.73
Balance as at 31 March, 2019	8,589.18	3,202.27	12,917.52	36.69	402.01	144.85	25,292.52

Accumulated depreciation							
Accumulated depreciation as at 1 April, 2017	-	493.79	848.40	6.83	41.47	28.05	1,418.54
Charge for the year	-	170.91	805.61	11.51	49.81	24.83	1,062.67
Depreciation on assets disposed / written off during the year	-	-	48.85	0.38	8.67	9.49	67.39
Accumulated depreciation as at 31 March, 2018	-	664.70	1,605.16	17.96	82.61	43.39	2,413.82
Charge for the year	-	162.27	722.69	6.41	63.99	28.62	983.98
Depreciation on assets disposed / written off during the year	-	-	29.09	-	1.28	48.00	78.37
Accumulated depreciation as at 31 March, 2019	-	826.97	2,298.76	24.37	145.32	24.01	3,319.43

Carrying amount							
Balance as at 31 March, 2018	564.08	2,510.14	11,343.05	12.85	142.63	93.75	14,666.50
Balance as at 31 March, 2019	8,589.18	2,375.30	10,618.76	12.32	256.69	120.84	21,973.09

Note :

- All the above property, plant and equipment are owned by the Group.
- Refer Note 37 for information on property, plant and equipment hypothecated as collateral security by the Group.
- Depreciation on property, plant and equipment has been included under 'Depreciation and amortisation expense' in the Consolidated Statement of Profit and Loss (Refer Note 26)
- On transition to Ind AS, the Group has chosen to carry forward previous GAAP carrying amount and accordingly the net carrying amount on transition date was considered as the deemed cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

04 INTANGIBLE ASSETS

Carrying amounts of:	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
Computer software (acquired)	6.33	9.56
Railway sidings (constructed)	52.78	223.47
Total intangible assets	59.11	233.03

	Rs. in lacs		
	Computer software (acquired)	Railway sidings constructed	Total intangible assets
Cost / deemed cost			
Balance as at 1 April, 2017	0.61	725.91	726.52
Additions during the year	9.69	-	9.69
Assets disposed / written off during the year	-	-	-
Balance as at 31 March, 2018	10.30	725.91	736.21
Additions during the year	-	-	-
Assets disposed / written off during the year	-	-	-
Balance as at 31 March, 2019	10.30	725.91	736.21

Accumulated amortisation			
Accumulated amortisation as at 1 April, 2017	0.61	334.96	335.57
Charge for the year	0.13	167.48	167.61
Amortisation of assets disposed / written off during the year	-	-	-
Accumulated amortisation as at 31 March, 2018	0.74	502.44	503.18
Charge for the year	3.23	170.69	173.92
Amortisation of assets disposed / written off during the year	-	-	-
Accumulated amortisation as at 31 March, 2019	3.97	673.13	677.10

Carrying amount			
Balance as at 31 March, 2018	9.56	223.47	233.03
Balance as at 31 March, 2019	6.33	52.78	59.11

- 04.01** The amortisation has been included under 'Depreciation and Amortisation Expenses' in the Consolidated Statement of Profit and Loss (Refer Note 26)
- 04.02** On transition date, the Group has chosen to carry forward the previous GAAP carrying amount and accordingly net carrying amount on transition date was considered deemed cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

05 INVESTMENTS

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
Non-current Investments (Unquoted)		
(A) Investment in Equity Instruments		
Investment in Other body corporate @		
Jamipol Limited	1,328.00	80.00
800,000 (31 March, 2018: 800,000) equity shares of Rs. 10 each fully paid up		
(B) Investments in Mutual fund #		
(i) IDFC Corporate Bond Direct plan -Growth	4,331.83	2,028.97
(ii) Reliance Floating Rate Fund -Short Term Plan (Direct Growth Plan)	3,247.35	2,029.42
(iii) Reliance Short Term Fund - (Direct Growth Plan)	3,248.38	3,033.29
	10,827.56	7,091.68
Total Non-current Investments	12,155.56	7,171.68
Current Investments (Unquoted)		
Investment in liquid mutual funds #		
(i) TATA Money Market Fund - Plan A - Daily Dividend Reinvestment	-	3,843.72
(ii) HDFC Liquid Fund- Regular Plan - Daily Dividend Reinvestment	1,789.63	6.65
(iii) IDFC Cash Fund - Regular Plan - Daily Dividend Reinvestment	1,560.85	575.58
(iv) Reliance Liquid Fund - Treasury Plan - Daily Dividend Reinvestment	3,662.55	4,272.99
(v) Axis Liquid - Regular plan - Daily Dividend Reinvestment	1,455.96	1,168.47
(vi) ICICI Prudential Liquid - Regular plan- Daily Dividend Reinvestment	-	769.17
(vii) BSL Cash Plus - Daily Dividend Reinvestment	-	1,225.54
(viii) Sundaram Money Fund Regular -Daily Dividend Reinvestment	-	575.11
(ix) DSP Blackrock Liquidity Fund-Inst-Daily Dividend Reinvestment	3,748.38	363.60
	12,217.37	12,800.83
Total current investments	24,372.93	19,972.51
Aggregate amount of Unquoted Investments	23,044.93	19,892.51
# Investments carried at Fair value through Profit & Loss	23,044.93	19,892.51
@ Investments carried at Fair value through Other Comprehensive Income [Also Refer Note 28 (c)]	1,328.00	80.00

05.1 Refer Note 28 for information about fair value measurement, credit risk and market risk on investments.

06 LOANS

(Unsecured, considered good unless stated otherwise)

	Rs. in lacs			
	As at 31 March, 2019		As at 31 March, 2018	
	Non-current	Current	Non-current	Current
Loan to Employees	6.77	6.30	10.83	8.22
Security Deposits				
Considered good	4.51	220.73	4.46	243.98
Credit impaired	-	22.57	-	22.57
Less: Provision for doubtful deposits	-	(22.57)	-	(22.57)
	11.28	227.03	15.29	252.20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

07 OTHER FINANCIAL ASSETS

(Unsecured, considered good unless stated otherwise)

	Rs. in lacs			
	As at 31 March, 2019		As at 31 March, 2018	
	Non-current	Current	Non-current	Current
(a) Interest accrued on deposits, loans and advances	4.05	1,294.06	157.10	929.29
(b) Deposit with banks and others with maturity period more than 12 months	82.40	-	6,255.74	-
[Above deposits includes Rs. 82.40 lacs as at 31 March, 2019 (Rs. 2.02 lacs as at 31 March, 2018) pledged with government authorities]				
	86.45	1,294.06	6,412.84	929.29

08 OTHER ASSETS

(Unsecured, considered good unless stated otherwise)

	Rs. in lacs			
	As at 31 March, 2019		As at 31 March, 2018	
	Non-current	Current	Non-current	Current
(a) Capital advances*	24,171.95	-	16,824.26	-
(b) Advances to related parties [Refer note 33]	-	80.30	-	50.98
(c) Other loans and advances				
(i) Advances with public bodies	608.71	759.98	608.71	946.47
(ii) Other advances and prepayments	15.84	930.38	19.29	630.42
(iii) Prepaid lease payments				
- Prepaid lease payments cost	42.42	0.47	42.42	0.47
Less: Prepaid lease payments amortisation	(16.56)	-	(16.09)	-
	24,822.36	1,771.13	17,478.59	1,628.34

* The Group has made payments relating to transfer of leasehold rights relating to certain land parcels and iron ore mines, which is part of its acquisition of the steel business of Usha Martin Limited. These include an amount of Rs. 4,732.00 lacs paid as upfront application fees paid for iron ore mines and Rs. 2,615.19 lacs for transfer of leasehold rights of land parcels.

09 INVENTORIES

(lower of cost and net realisable value)

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(a) Raw materials	9,803.15	6,858.03
(b) Finished goods	677.75	691.58
(c) Stores and spares	1,046.79	859.26
	11,527.69	8,408.87

Note:

Refer Note 37 for information on inventories hypothecated as security by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 TRADE RECEIVABLES

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
Unsecured, considered good	7,845.45	5,880.50
Total trade receivables	7,845.45	5,880.50
Trade receivables from related parties (Refer Note 33)	1,197.49	629.00
Trade receivables other than related parties	6,647.96	5,251.50
	7,845.45	5,880.50

Note:

- a) Refer Note 28 for information about credit risk and market risk on receivables.
- b) Refer Note 37 for information on Trade Receivable hypothecated as security by the Group.

11 (i) CASH AND CASH EQUIVALENTS

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(a) Balances with scheduled banks		
(1) In current accounts	419.88	3,539.91
(2) In fixed deposit accounts having original maturity of three months or less	15,900.00	7,711.28
(b) Cash on hand	0.76	0.69
Total Cash and cash equivalents as per Cash Flow Statement	16,320.64	11,251.88

(ii) OTHER BANK BALANCES

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
In Unclaimed Dividend Accounts @	267.16	227.33
In fixed deposit accounts (with original maturity of more than three months and maturing within twelve months from the balance sheet date)	18,153.22	30,684.00
	18,420.38	30,911.33
@ Includes earmarked balances in unclaimed dividend accounts	267.16	227.33

- (iii) There are no repatriation restrictions with regard to Cash and Cash Equivalents as at the year end of the current reporting period and prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EQUITY SHARE CAPITAL

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(a) Authorised Share Capital:		
75,000,000 fully paid equity shares of Rs. 10 each	7,500.00	2,500.00
(As at 31 March, 2018: 25,000,000 fully paid equity shares of Rs. 10 each)		
	7,500.00	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
(As at 31 March, 2018: 15,400,000 fully paid equity shares of Rs. 10 each)		
	1,540.00	1,540.00

(c) Fully paid equity shares

	No. of equity shares	Amount Rs. in lacs
Equity shares of Rs. 10 each		
As at 1 April, 2017	1,54,00,000	1,540.00
Changes in equity share capital during the year	-	-
As at 31 March, 2018	1,54,00,000	1,540.00
Changes in equity share capital during the year	-	-
As at 31 March, 2019	1,54,00,000	1,540.00

(d) Shares held by holding Company

	As at 31 March, 2019		As at 31 March, 2018	
	No. of equity shares	%	No. of equity shares	%
Fully paid 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%

(e) Details of shareholders holding more than 5% of outstanding shares

	As at 31 March, 2019		As at 31 March, 2018	
	No. of equity shares	%	No. of equity shares	%
Fully paid equity shares				
Tata Steel Limited (Holding Company)	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12A PREFERENCE SHARE CAPITAL

		Rs. in lacs	
		As at 31 March, 2019	As at 31 March, 2018
(a) Authorised Share Capital:			
	20,00,00,000 Non-Convertible Redeemable Preference Shares of Rs. 100 each	2,00,000.00	-
	(As at 31 March, 2018: NIL Non-Convertible Redeemable Preference Shares of Rs. 100 each)		
		2,00,000.00	-
(b) Rights, preferences and restrictions attached to preference shares			
	Such shares shall rank for capital and dividend (including all dividend undeclared upto the commencement of winding up) and for repayment of capital in a winding up, pari passu inter se and in priority to the Equity Shares of the Company, but shall not confer any further or other rights in participating in surplus funds. Such shares shall confer on the holders thereof, the right to a fixed preferential dividend from the date of allotment at 11.30% p.a. and shall be redeemable at par upon maturity or optional early redemption at the option of the Group annually at 12 monthly intervals from the date of allotment. These shares shall carry voting rights as per the provisions of Section 47(2) of the Companies Act, 2013.		
(c)	These preference shares are yet to be issued and are included above for disclosure for authorised share capital only. Classification of the preference shares as equity or liability will be determined at the time they are issued.		

13 OTHER EQUITY

		Rs. in lacs	
		As at 31 March, 2019	As at 31 March, 2018
	General reserves	90,000.00	77,000.00
	Retained earnings	15,969.16	20,243.59
	Remeasurement gains / (losses) on defined benefit plans	(137.23)	(130.99)
	Equity instruments through other comprehensive income	990.81	-
	Total	1,06,822.74	97,112.60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Particulars	Reserves and surplus			Other Reserves	Rs. in lacs
	General reserves [Refer (a) below]	Retained earnings [Refer (b) below]	Remeasurement gains / (losses) on defined benefit plans [Refer (c) below]	Equity instruments through other comprehensive income [Refer (d) below]	Total
Balance as at 1 April, 2017	77,000.00	8,194.50	(242.24)	-	84,952.26
Profit for the year	-	14,087.95	-	-	14,087.95
Remeasurement gains / (losses) on defined benefit plans	-	-	170.13	-	170.13
Tax impact on items of other comprehensive income (OCI)	-	-	(58.88)	-	(58.88)
Transactions with the owners in their capacity as owners					
Dividend paid during the year [refer note 28(b) (ii)]	-	(1,694.00)	-	-	(1,694.00)
Tax on dividend [refer note 28(b) (ii)]	-	(344.86)	-	-	(344.86)
Balance as at 31 March, 2018	77,000.00	20,243.59	(130.99)	-	97,112.60
Profit for the year	-	12,438.67	-	-	12,438.67
Changes in fair value of FVOCI equity instruments	-	-	-	1,248.00	1,248.00
Remeasurement gains / (losses) on defined benefit plans	-	-	(9.59)	-	(9.59)
Tax impact on items of other comprehensive income (OCI)	-	-	3.35	(257.19)	(253.84)
Transactions with the owners in their capacity as owners					
Dividend paid during the year [refer note 28(b) (ii)]	-	(3,080.00)	-	-	(3,080.00)
Tax on dividend [refer note 28(b) (ii)]	-	(633.10)	-	-	(633.10)
Transfer to/from general reserve	13,000.00	(13,000.00)	-	-	-
Balance as at 31 March, 2019	90,000.00	15,969.16	(137.23)	990.81	106,822.74

(a) General reserves

Under the erstwhile Indian Companies Act, 1956, a general reserve was created through an annual transfer of net profit at a specified percentage in accordance with applicable regulations. Consequent to introduction of Companies Act, 2013, the requirement to mandatory transfer a specified percentage of the net profit to general reserve has been withdrawn though the Group may transfer such percentage of its profits for the financial year as it may consider appropriate. Declaration of dividend out of such reserve shall not be made except in accordance with rules prescribed in this behalf under the Act.

(b) Retained Earnings

Retained Earnings are the profits and gains that the Group has earned till date, less any transfer to general reserve, dividends or other distributions paid to shareholders.

(c) Remeasurement gains / (losses) defined benefit plans

The Group recognises remeasurement gains / (losses) on defined benefit plans in Other Comprehensive Income. These changes are accumulated within the equity under "Remeasurement gains / (losses) on defined benefit plans" reserve within equity.

(d) Equity instruments through other comprehensive income

The Group has elected to recognise changes in the fair value of certain investments in equity instruments in Other Comprehensive Income. These changes are accumulated within the "Equity instruments through other comprehensive income" reserve within equity. The Group transfers amounts from this reserve to Retained Earnings when the relevant equity shares are derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROVISIONS

	Rs. in lacs			
	As at 31 March, 2019		As at 31 March, 2018	
	Non-current	Current	Non-current	Current
(a) Provision for employee benefits				
Post-employment defined benefits	1,190.03	81.47	1,168.89	117.37
(b) Other provisions				
(i) Provision for VAT, entry tax and sales tax [refer note 36]	-	2,747.04	-	2,538.75
(ii) Provision for cross subsidy surcharge payable [refer note 36]	-	601.00	-	601.00
(iii) Provision for interest on income tax [refer note 36]	-	2,067.62	-	1,887.91
Total provisions	1,190.03	5,497.13	1,168.89	5,145.03

15 DEFERRED TAX LIABILITIES (NET)

The following is the analysis of deferred taxes presented in the Consolidated balance sheet:

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
Deferred tax liabilities	3,216.51	3,087.66
Deferred tax assets	(1,396.03)	(1,289.45)
Deferred tax liabilities (net)	1,820.48	1,798.21

The balances comprises temporary differences attributable to:

	Rs. in lacs			
	Deferred tax liability/ (asset) as at 31 March, 2018	Recognised in profit or loss	Recognised in other comprehensive income	Deferred tax liability/ (asset) as at 31 March, 2019
Deferred tax liabilities				
(i) Property, plant and equipment and intangible assets	3,087.66	(128.34)	-	2,959.32
(ii) Fair valuation of equity instruments designated as FVOCI	-	-	257.19	257.19
	3,087.66	(128.34)	257.19	3,216.51
Deferred tax assets				
(i) Amount allowable on payment basis as per section 43B of Income-tax Act, 1961	(1,289.45)	(38.95)	(3.35)	(1,331.75)
(ii) Amount allowable under Income-tax on deferred basis	-	(64.28)	-	(64.28)
	(1,289.45)	(103.23)	(3.35)	(1,396.03)
Deferred tax liabilities (net)	1,798.21	(231.57)	253.84	1,820.48

Note :

- Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE PAYABLES

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(i) Total outstanding dues of micro enterprises and small enterprises (Refer Note below)	106.62	176.10
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		
(a) Trade payables for supplies and services	5,974.34	5,323.32
(b) Trade payables for accrued wages and salaries	1,430.06	1,192.61
Total Trade Payables	7,511.02	6,692.03
Trade payable to related parties	3,030.71	2,204.09
Trade payable other than related parties	4,480.31	4,487.94
Total Trade Payables	7,511.02	6,692.03

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.

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(a) (i) The principal amount remaining unpaid to supplier as at end of the accounting year	106.62	176.10
(ii) Interest due thereon remaining unpaid to supplier as at end of the accounting year	-	-
(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
(c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;	-	-
(d) the amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

Refer Note 28 for information about liquidity risk relating to Trade payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 OTHER CURRENT LIABILITIES

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(a) Advances from customers*	688.73	110.61
(b) Other payables		
(i) Employee recoveries and employer contributions	62.13	62.14
(ii) Statutory liabilities (GST, Excise duty, service tax, sales tax, TDS, etc.)	1,496.90	1,993.37
Total other current liabilities	2,247.76	2,166.12

*Advances from customers appearing at the beginning of the year has been entirely adjusted against revenue recognised during the year.

18 OTHER FINANCIAL LIABILITIES

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(a) Creditors for capital supplies and services	32.13	72.62
(b) Unpaid dividends	267.12	227.33
(c) Other credit balances	125.98	122.83
Total Other financial liabilities	425.23	422.78

19 CURRENT TAX LIABILITIES (NET)

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
Provision for tax	5,390.33	5,390.33
[net of advance tax of Rs.24,164.03 lacs (As at 31 March 2018: Rs. 17,589.03 lacs)]		
Total current tax liabilities (net)	5,390.33	5,390.33

19 A NON CURRENT TAX ASSETS (NET)

	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
Advance tax and tax deducted at sources	2,973.73	2,812.63
[net of provision of Rs.26,309.67 lacs (As at 31 March, 2018: Rs. 26,309.67 lacs)]		
Total non current tax assets (net)	2,973.73	2,812.63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 REVENUE FROM OPERATIONS

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
(a) Revenue from contracts with customers		
(i) Sale of sponge iron (including excise duty - NIL (Year ended 31 March 2018: Rs.1,647.81 lacs)	92,975.34	75,516.55
(ii) Sale of power	5,332.10	5,541.36
(b) Other operating revenue		
Sale of iron ore fines, coal fines, char etc.	897.86	606.63
Revenue from operations	99,205.30	81,664.54

Note:

- (i) The Group has adopted Ind AS 115 - Revenue from Contract with Customers with full retrospective effect. Such adoption did not result into any adjustments in the consolidated financial statements.
- (ii) Revenue recognised from sale of sponge iron and sale of power represents contracted prices with the customer and did not include any adjustments to the contracted price.
- (iii) Post applicability of Goods and Services Tax ('GST') with effect from 1 July, 2017, revenue from operations is disclosed net of GST. Accordingly the revenue from operations for year ended 31 March, 2019 are exclusive of GST whereas the amounts for the year ended 31 March, 2018 includes applicable excise duty and hence not comparable.

21 OTHER INCOME

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
(a) Interest income earned on financial assets that are not designated at fair value through profit or loss		
(i) Bank deposits carried at amortised cost	3,313.27	2,398.13
(ii) Other financial assets carried at amortised cost	602.71	364.42
(b) Dividend income		
(i) From equity investments*	88.00	74.48
(ii) From investments in Mutual fund (current)	680.94	1,126.62
(c) Net gains / (losses) on fair value changes		
(i) Net gain / (loss) on fair value changes of financial assets carried at FVTPL (Current)	(2.21)	4.48
(ii) Net gain on fair value changes of financial assets carried at FVTPL (Non - current)	735.89	91.68
(iii) Net gain on sale of current investments	0.79	-
(d) Net gain on disposal of property plant and equipment	6.59	-
(e) Net gain on foreign currency transactions	-	32.11
(f) Liabilities no longer required written back	192.17	0.29
(g) Other non-operating income	154.95	214.15
Total other income	5,773.10	4,306.36

* Represents dividend on equity instruments designated as fair value through other comprehensive income, which are held as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 COST OF MATERIALS CONSUMED

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Opening stock	6,858.03	3,854.26
Add: Purchases of materials	73,813.89	53,062.08
	80,671.92	56,916.34
Less: Closing stock	9,803.15	6,858.03
Total cost of materials consumed	70,868.77	50,058.31
Cost of materials consumed comprises		
(a) Iron ore	32,263.59	17,724.81
(b) Coal	38,055.61	31,866.75
(c) Dolomite	549.57	466.75
Total cost of materials consumed	70,868.77	50,058.31

23 CHANGES IN INVENTORIES OF FINISHED GOODS

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Finished goods		
Opening stock	691.58	218.11
Less: Closing stock	677.75	691.58
Net (increase) / decrease in finished goods	13.83	(473.47)

24 EMPLOYEE BENEFITS EXPENSE

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
(a) Salaries and wages	3,767.66	3,425.09
(b) Contribution to provident and other funds	404.96	398.52
(c) Staff welfare expenses	314.13	356.83
Total employee benefits expense	4,486.75	4,180.44

25 FINANCE COSTS

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Interest expenses		
Interest on statutory dues	302.18	324.67
Total finance costs	302.18	324.67

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DEPRECIATION AND AMORTISATION EXPENSE

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
(a) Depreciation of property, plant and equipment (Refer Note 03)	983.98	1,062.67
(b) Amortisation of intangible assets (Refer Note 04)	173.92	167.61
Total depreciation and amortisation expenses	1,157.90	1,230.28

27 OTHER EXPENSES

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
(a) Consumption of stores and spare parts	1,026.42	1,032.29
(b) Fuel oil consumed	107.87	111.78
(c) Purchase of power	20.87	10.01
(d) Rent [refer note 38]	81.23	79.29
(e) Repairs to buildings	656.62	378.67
(f) Repairs to machinery	1,544.60	1,365.32
(g) Insurance	81.35	70.09
(h) Rates and taxes	898.27	996.79
(i) Freight and handling charges	784.54	698.56
(j) Commission, discounts and rebates	42.64	42.10
(k) Packing and forwarding	508.02	488.09
(l) Excise duty on change in finished goods	-	(35.55)
(m) Other expenses		
(1) Legal and professional costs	654.81	660.66
(2) Advertisement, promotion and selling expenses	42.99	33.18
(3) Travelling expenses	186.46	136.93
(4) Loss on disposal of property plant and equipment	-	3.49
(5) Net Loss on foreign currency transactions	252.31	-
(6) Corporate social responsibility expenses [refer note 39]	236.25	180.46
(7) Other general expenses (*)	2,241.62	1,730.13
Total other expenses	9,366.87	7,982.29

(*) Includes R&D expenses amounting to **Rs. 11.70 lacs** (31 March, 2018 Rs. 11.40 lacs) paid to Indian Institute of Technology, Bhubaneswar.

27.1 Payments to auditors

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
(1) Auditors remuneration and out-of-pocket expenses		
(i) As auditors - statutory audit	10.61	11.04
(ii) As auditors - quarterly audits	6.00	7.60
(iii) As auditors - tax audit	1.60	2.02
(iv) Auditors out-of-pocket expenses	2.34	7.39
	20.55	28.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27.1A Income tax recognised in Consolidated Statement of Profit and Loss

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Current tax		
On profit for current year	6,575.00	7,099.00
	6,575.00	7,099.00
Deferred tax (Refer Note 15)		
In respect of the current year	(231.57)	(166.38)
	(231.57)	(166.38)
Total tax expense (Refer reconciliation below)	6,343.43	6,932.62

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Profit before tax	18,782.10	21,020.57
Income tax expense calculated at enacted Income tax rate of 34.944% (31 March, 2018 : 34.608%)	6,563.22	7,274.80
Effect of income that is exempt from taxation	(266.68)	(448.96)
Effect of expenses that are not deductible in determining taxable profit	64.71	106.67
Others	(17.82)	0.11
Income tax expense recognised in Consolidated Statement of Profit and Loss	6,343.43	6,932.62

28 (A) FINANCIAL RISK MANAGEMENT:

The Group's activities expose it to credit risk, liquidity risk and market risk. In order to safeguard against any adverse effects on the financial performance of the Group, derivative financial instruments viz. foreign exchange forward contracts are entered where considered appropriate to hedge foreign currency risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

The Group's senior management oversees the management of above risks. The senior executives working to manage the financial risks are accountable to the Audit committee and the Board of Directors. This process provides assurance that the Group's financial risks-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and the Group's risk appetite.

This Note explains the sources of risk which the entity is exposed to and how the entity manages the risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below :

(i) Credit risk management:

Credit risk refers to the risk that a counterparty may 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

Trade Receivables

Trade receivables are typically unsecured, considered good and are derived from revenue earned from customers. Customer credit risk is managed as per Group's policy and procedures which involve credit approvals, establishing credit limits and continually monitoring the credit worthiness of customers to which the Group grants credit terms in the normal course of business. Outstanding customer receivables are regularly monitored and the shipments to customers are generally covered by letters of credit or other forms of credit assurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other Financial Assets

Credit risk from balances with banks, term deposits, loans and investments is managed by Group's finance department. Investments of surplus funds are made only with approved counterparties who meet the minimum threshold requirements. The Group monitors ratings, credit spreads and financial strength of its counterparties.

Financial Assets that are Neither Past Due Nor Impaired

None of the Group's cash equivalents with banks, loans and investments as at 31 March, 2019 and 31 March, 2018 were past due or impaired. Total trade receivables, of **Rs.7,845.45 lacs** as at 31 March, 2019 and Rs.5,880.50 lacs as at 31 March, 2018 consisted of customer balances that were neither past due nor impaired.

(ii) Liquidity risk management:

Liquidity risk is the risk that the Group may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses. The Group's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral requirements. The Group closely monitors its liquidity position and maintain adequate source of financing. 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 long-term.

(a) Financing Arrangements

The Group has unutilised fund based arrangement with banks for **Rs. 7000.00 lacs** (31 March, 2018: Rs. 11,000.00 lacs). The Group has also Non-Fund based facilities with banks for **Rs.14,815.00 lacs** (31 March ,2018: Rs. 31,315.00 lacs) which may be utilised at any time and the banks have a right to terminate the same without notice.

(b) Maturities of Financial Liabilities

The table below analyse the Group's financial liabilities into relevant maturity Groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Particulars	Within 1 year Rs. in lacs	More than 1 year Rs. in lacs
As at 31 March, 2019		
Trade payables	7,511.02	-
Other financial liabilities - current	425.23	-
As at 31 March, 2018		
Trade payables	6,692.03	-
Other financial liabilities - current	422.78	-

(iii) Market risk:**(i) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group transacts business in local currency and in foreign currencies (primarily US Dollars). The Group has foreign currency trade payables and is therefore exposed to foreign currency risk. Foreign currency risk exposure is evaluated and managed through operating procedures and sourcing policies. The Group has not entered into any derivative contracts to hedge exposure to fluctuations in commodity prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(iv) Securities Price risk:

The Group is exposed to price risks arising from fair valuation of Group's investment in mutual funds. The carrying amount of the Group's investments designated as at fair value through profit or loss at the end of the reporting period (Refer Note no 5)

	Rs. in lacs	
	Impact on Profit Before Tax	
	Year ended 31 March, 2019	Year ended 31 March, 2018
NAV -Increase by 1%*	230.45	198.93
NAV -Decrease by 1%*	(230.45)	(198.93)

* Holding all other variables constant

(v) Commodity Price Risk:

Exposure to market risk with respect to commodity prices primarily arises from the Group's purchase of imported coal for production of finished goods. Cost of raw materials forms the largest portion of the Group's cost of sales. Market forces generally determine prices for the coal purchased by the Group. These prices may be influenced by factors such as supply and demand, production costs and global and regional economic conditions and growth. Adverse changes in any of these factors may impact the results of the Group.

Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Group has not entered into any derivative contracts to hedge exposure to fluctuations in commodity prices.

(B) CAPITAL MANAGEMENT:**(i) Risk 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 Group does not have any borrowings. The Group is not subject to any externally imposed capital requirements.

(ii) Dividends on Equity Shares

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Dividend Declared and Paid during the year		
Final dividend for the year ended 31 March, 2018 of Rs. 20.00 (31 March, 2017 – Rs. 11.00) per fully paid share	3,080.00	1,694.00
Dividend Distribution Tax on above	633.10	344.86
Proposed Dividend Not Recognised at the end of the Reporting Period		
In addition to the above dividend, since year end the directors have recommended the payment of a final dividend of Rs.12.50 (for the year ended 31 March 2018: Rs. 20.00) per fully paid share. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	1,925.00	3080.00
Dividend Distribution Tax on above	395.69	633.10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(C) FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March, 2019 is as follows:

	Rs. in lacs			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying value
Assets:				
Investments in Mutual fund	23,044.93	-	-	23,044.93
Investment in body corporates	-	1,328.00	-	1,328.00
Trade receivables	-	-	7,845.45	7,845.45
Loans	-	-	238.31	238.31
Cash and cash equivalents	-	-	16,320.64	16,320.64
Other bank balances	-	-	18,420.38	18,420.38
Other financial assets - non-current	-	-	86.45	86.45
Other financial assets - current	-	-	1,294.06	1,294.06
Total	23,044.93	1,328.00	44,205.29	68,578.22
Liabilities:				
Trade payables	-	-	7,511.02	7,511.02
Other financial liabilities - current	-	-	425.23	425.23
Total	-	-	7,936.25	7,936.25

Financial assets and liabilities

The carrying value of financial instruments by categories as at 31 March, 2018 is as follows:

	Rs. in lacs			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying value
Assets:				
Investments in Mutual fund	19,892.51	-	-	19,892.51
Investment in body corporate	-	80.00	-	80.00
Trade receivables	-	-	5,880.50	5,880.50
Loans	-	-	267.49	267.49
Cash and cash equivalents	-	-	11,251.88	11,251.88
Other Bank balances	-	-	30,911.33	30,911.33
Other financial assets - non-current	-	-	6,412.84	6,412.84
Other financial assets - current	-	-	929.29	929.29
Total	19,892.51	80.00	55,653.33	75,625.84
Liabilities:				
Trade payables	-	-	6,692.03	6,692.03
Other financial liabilities - current	-	-	422.78	422.78
Total	-	-	7,114.81	7,114.81

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fair value measurement:

The fair values of financial assets and liabilities are included at the amount 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. Methods and assumptions used to estimate the fair values are consistent with those used for the year ended 31 March, 2018.

The following methods and assumptions were used to estimate the fair values:

- (a) In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors. Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.
- (b) The management assessed that fair values of, Current Investments, trade receivables, cash and cash equivalents, other bank balances, other financial assets (current), trade payables, and other financial liabilities (current), approximate to their carrying amounts due to the short-term maturities of these instruments.

Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into three levels prescribed under the accounting standard. An explanation of each level follows below.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes mutual funds. The mutual funds are valued using the closing Net Asset Value.

Level 2: The fair value of Financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities included in level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Particulars	As at 31 March, 2019	Fair value measurement at end of the reporting year using		
		Rs. in lacs		
		Level 1	Level 2	Level 3
Financial assets				
Investment in mutual funds	23,044.93 (19,892.51)	23,044.93 (19,892.51)	-	-
Investment in equity instruments at FVTOCI (Unquoted)	1,328.00 (80.00)			1,328.00 (80.00)
Total financial assets	24,372.93 (19,972.51)	23,044.93 (19,892.51)	-	1,328.00 (80.00)

Figures in brackets represents balances for the previous year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movement in Level 3 investments	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Opening as on 1 April 2019	80.00	80.00
Changes in fair value recognised in OCI	1,248.00	-
Closing as on 31 March 2019	1,328.00	80.00

Valuation technique used for Level 3 investments

Fair valuation of the equity investments have been determined using the discounted cash flow model Significant unobservable inputs used in the valuation were earnings growth rate and risk adjusted discount rates.

The increase / decrease of 1% in earnings growth rate (keeping other variables constant) would result into an increase / decrease in fair value by **Rs. 16.00 lacs** and **Rs.16.00 lacs** respectively.

The increase / decrease in 1% risk adjusted discount rate (keeping other variables constant) would result into decrease / increase in fair value by **Rs. 64.00 lacs** and **Rs. 72.00 lacs** respectively.

29 EARNINGS PER SHARE

	Year ended 31 March, 2019	Year ended 31 March, 2018
Net profit for the year (Rs. In lacs)	12,438.67	14,087.95
Weighted average number of equity shares outstanding during the year (Nos.)	1,54,00,000	1,54,00,000
Nominal value per equity share (Rs.)	10	10
Basic and diluted earnings per share (Rs.)	80.77	91.48

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, 2019	As at 31 March, 2018
(a) Claims against the Group not acknowledged as debts		
(i) Income tax	159.28	159.28
(ii) Odisha entry tax	2,579.93	2,579.93
(iii) Customs duty (Refer note below)	3,818.44	3,818.44
(iv) Demand from Ministry of Coal against Radhikapur coal block [Refer note 31]	3,250.00	3,250.00
(v) Demand from suppliers	152.13	152.13
	9,959.78	9,959.78

Note:

The above includes demand received from Commissioner of Customs (Preventive) aggregating to Rs. 4,398.99 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 Group's classification as steam coal. During the year, the Group has filed an appeal against the aforesaid order in the Customs, Excise and Service Tax Appellate Tribunal, Kolkata. The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Other money for which the Group is contingently liable

		Rs. in lacs	
		As at 31 March, 2019	As at 31 March, 2018
(i)	Renewable energy purchase obligation	632.89	632.89
(ii)	Excise Duty	2,946.30	2,472.85
		3,579.19	3,105.74

In respect of above, it is not practicable for the Group to estimate the timings of cash outflows, if any, pending resolution of the respective proceedings. The Group does not expect any reimbursements in respect of the above

(c) Cross subsidy surcharge payable to power distribution companies

In 2012-13, the Group 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 Group 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 Group filed a case before the Odisha Electricity Regulatory Commission ("OERC") for relief which was denied and consequently the Group had filed a case before Appellate Tribunal of Electricity ("ATE"). Appeal filed by the Group before "ATE" was allowed and the matter stands remitted back to the OERC for reconsideration afresh. As a matter of prudence, pending finalisation of the matter, an amount of Rs. 601.00 lacs provided in the year ended 31 March, 2015, is being continued.

- (d)** The Group 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 Group should pay the sales tax under dispute pending disposal of the writ petition. Accordingly, the Group 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 Group. The Sales Tax Officer passed the order stating that the refund shall unjustly enrich the Group against which the Group 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.

As per Industrial Policy Resolution 1992 of Government of Odisha, the Group had 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 Group had paid the above amount until the rate of sales tax was reduced. With reduction in rate of sales tax, the Group considered that the above limit of Rs. 252.56 lacs had to correspondingly reduce and accordingly made reduced payment. The Group 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 31** (a) In the month of November 2012, Ministry of Coal ("MoC") issued notices to the Group for invocation of bank guarantee of Rs. 3,250 lacs submitted towards performance of conditions for allocation of coal block against which the Group had filed a writ petition in the Hon'ble High Court of Delhi, which directed the Group to keep the bank guarantee valid till 30 November, 2015 by which date the MoC was directed to take decision. The bank guarantee expired after 30 November 2015 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 Group has moved to the Hon'ble High Court of Delhi, where the matter is pending adjudication. The Group has been advised and has obtained a legal opinion that as the original allocation of coal block 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 had cancelled allocation of 214 coal blocks including the Radhikapur (East) Coal Block which was allotted to the Group on 7 February, 2006. The amount incurred on the Radhikapur (East) Coal Block upto 31 March, 2019 aggregates to **Rs. 18,040.96 lacs** (31 March, 2018: Rs. 18,040.96 lacs) and the carrying amount in the books net of depreciation and write off as at 31 March, 2019 is Rs. 17,905 lacs (31 March 2018: Rs. 17,917 lacs).
- (ii) Pursuant to the judgment of Hon'ble Supreme Court of India, the Government of India had 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 allottee the expenses incurred by the prior allottee towards land and mine infrastructure. Pursuant to the judgement dated 9 March, 2017 of the Hon'ble High Court of Delhi in W.P (c) 973/2015, the directives of MoC vide its letter dated 1 February, 2018 and as per details prescribed by Nominated Authority, the Group has furnished the required statement of expenses and other details in the prescribed format on 22 February, 2018. Relying on the legal position and legal opinion obtained by the Group in respect of the recoverability of the amount, no provision is considered necessary.
- 32** Estimated amounts of contracts remaining to be executed on capital account and not provided for : **Rs. 244.88 lacs** (As at 31 March, 2018: Rs. 156.95 lacs) Net of advances **Rs. 0.31 lacs** (As at 31 March, 2018 Rs. 0.31 lacs.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTION

(A) Related Parties

Name of Related Party	Relationship
Tata Sons Private Limited [Formerly Tata Sons Limited]	Company having significant Influence over the holding Company
Where Control exists:	
Tata Steel Limited	Holding Company
Others with whom transactions to be taken place during the current and previous year	
The Tinplate Company of India Limited	Fellow Subsidiary
Tata Pigments Limited	
The Indian Steel and Wire Products Limited	
Tata Metaliks Limited	
TM International Logistics Limited	Joint venture with Tata Steel Limited
mjunction services limited	
Jamipol Limited	
Tata Bluescope Steel Limited	
Tata International Limited	Subsidiary of Tata Sons Private Limited
Tata International Singapore PTE Limited	
TC Travel & Services Limited	
TRL Krosaki Refractories Limited	Associate of Tata Steel Limited (till 28 December 2018)
Mr. Sanjay Kumar Pattnaik	Key Management personnel- Managing Director (MD)
Mr. T V Narendran (w.e.f. 12 January, 2019)	Key Management personnel -Non- Executive Director (NED)
Mr. Koushik Chatterjee (w.e.f. 12 January, 2019)	
Dr. Sougata Ray (w.e.f. 12 January, 2019)	
Mr. A M Misra (up to 12 January, 2019)	
Mr. D K Banerjee	
Mr. P C Parakh	
Mr. Manoj T Thomas	
Mr. Krishnava S Dutt (Up to 11 October, 2018)	
Mr. R Ranganath (up to 12 January, 2019)	
Mrs. Meena Lall	
Dr. Omkar N Mohanty	
Mr. Bimlendra Jha (from 12 January, 2019 to 7 February, 2019)	
Mr. Ashish Anupam (w.e.f. 14 March, 2019)	
Tata Sponge Iron Limited Employee Provident Fund Trust	Post Employment Benefit Plans (PEBP) as per Ind AS 24
Tata Sponge Iron Limited Superannuation Fund	
Tata Sponge Iron Limited Gratuity Fund	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(B) Particulars of transactions during the year

		Rs. in lacs							
A	Particulars	Sale of goods		Purchase of goods		Dividend income		Dividend paid	
		Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018
Holding Company									
	Tata Steel Limited	806.71	311.77	26,960.92	18,006.49	-	-	1,678.71	923.29
	Total	806.71	311.77	26,960.92	18,006.49	-	-	1,678.71	923.29
Fellow subsidiary									
	The Indian Steel and Wire Products Limited	-	-	3.14	3.13	-	-	-	-
	Tata Metaliks Limited	43.81	198.37	-	-	-	-	-	-
	Tata Pigments Limited	-	-	-	-	-	-	-	-
	Total	43.81	198.37	3.14	3.13	-	-	-	-
Associate of Tata Steel									
	TRL Krosaki Refractories Limited	-	-	74.78	57.68	-	-	-	-
	Total	-	-	74.78	57.68	-	-	-	-
Joint venture of Tata Steel									
	Jamipol Limited	-	-	-	-	88.00	74.48	-	-
	Tata Bluescope Steel Limited	-	-	88.84	56.67	-	-	-	-
	Total	-	-	88.84	56.67	88.00	74.48	-	-
Subsidiary of Tata Sons Limited									
	Tata International Limited	9,882.23	8,605.84	-	2,227.43	-	-	-	-
	Tata International Singapore PTE Limited	-	-	28,056.59	20,239.97	-	-	-	-
	Total	9,882.23	8,605.84	28,056.59	22,467.40	-	-	-	-

TATA SPONGE IRON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rs. in lacs

B Particulars	Sale of power		Services received		Reimbursement of expenses		Services rendered	
	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018
Company having significant influence								
Tata Sons Private Limited	-	-	276.01	214.55	-	-	-	-
Total	-	-	276.01	214.55	-	-	-	-
Holding Company								
Tata Steel Limited	4,314.52	5,512.26	94.22	40.29	-	-	6.96	-
Total	4,314.52	5,512.26	94.22	40.29	-	-	6.96	-
Fellow subsidiary								
The Tinplate Company of India Limited	-	-	0.03	0.03	-	-	-	-
Jamshedpur Utilities & Services Company Limited	-	-	0.02	-	-	-	-	-
Total	-	-	0.05	0.03	-	-	-	-
Joint Venture of Tata Steel								
TM International Logistics Limited			749.80	713.22	640.45	619.90	-	-
mjunction services limited	-	-	-	2.36	-	-	-	-
Total			749.80	715.58	640.45	619.90	-	-
Subsidiary of Tata Sons Private Limited								
Tata International Limited	-	-	-	-	243.95	666.75	-	-
Tata International Singapore PTE Limited	-	-	-	-	147.94	208.90	-	-
TC Travel & Services Limited	-	-	-	33.68	-	34.77	-	-
Tata Consultancy Services Limited	-	-	-	-	-	-	-	-
Total	-	-	-	33.68	391.89	910.42	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(C) Compensation of key management personnel

		Rs. in lacs	
		Year ended 31 March, 2019	Year ended 31 March, 2018
	MD		
	Remuneration		
	-Short term Employee Benefits	321.49	176.12
	-Post Employment Benefits	31.29	25.65
	Total	352.79	201.77
	NED		
	Sitting Fees		
	Mr. A M Misra	3.25	2.30
	Mr. D K Banerjee	3.95	2.85
	Mr. Manoj T Thomas	3.90	2.70
	Mr. P C Parakh	4.10	3.10
	Dr. Omkar N Mohanty	4.10	3.30
	Mr. Krishnav S Dutt	0.70	1.15
	Dr. Sougata Ray	0.85	-
	Commission		
	Mr. A M Misra	8.50	7.83
	Mr. D K Banerjee	6.12	5.65
	Mr. P C Parakh	7.82	8.70
	Mr. Manoj T Thomas	7.14	6.09
	Dr. Omkar N Mohanty	6.12	6.52
	Mr. Krishnav S Dutt	1.36	2.61
	Dr. Sougata Ray	2.04	-
	Total	59.95	52.80
(D)	Contribution to PEBP		
	Tata Sponge Iron Limited Employee Provident Fund Trust	200.24	193.68
	Tata Sponge Iron Limited Superannuation Fund	106.58	107.69
	Tata Sponge Iron Limited Gratuity Fund	98.15	97.14
	Total	404.97	398.51

(E) Pursuant to approval of Board of Directors, the Company has paid / provided an amount of Rs. 133.49 lacs as part of long term incentive plan (LTIP) to the Managing Director which is in lieu of the earlier "Special Retirement Benefit Scheme". The amount paid / provided as aforesaid, is within the limits prescribed under section 197 of the Companies Act, 2013. The Group would seek the shareholders' approval / ratification for payment of LTIP in the ensuing annual general meeting

TATA SPONGE IRON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(F) Balances Outstanding

Particulars	Rs. in lacs							
	Trade receivables		Trade payables		Advances		Investments	
	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018
Company having significant influence								
Tata Sons Private Limited	-	-	240.96	189.21	-	-	-	-
Holding Company								
Tata Steel Limited	708.68	585.57	2,555.22	1,989.19	-	-	-	-
Fellow subsidiary								
Tata Metaliks Limited	-	43.43	-	-	-	-	-	-
The Tinplate Company of India Limited	-	-	-	0.01	-	-	-	-
The Indian Steel and Wire Products Limited	-	-	0.51	0.83	-	-	-	-
Joint venture of Tata Steel								
TM International Logistics Limited	-	-	-	-	80.30	50.98	-	-
Tata Bluescope Steel Limited	-	-	-	23.16	-	-	-	-
Jamipol Limited	-	-	-	-	-	-	80.00	80.00
Subsidiary of Tata Sons Limited								
Tata International Limited	488.81	-	-	-	-	-	-	-
Tata International Singapore PTE Limited	-	-	234.02	-	-	-	-	-
TC Travel & Services Limited	-	-	-	1.69	-	-	-	-
Tata Consultancy Services Limited	-	-	-	-	-	-	-	-
Total	1,197.49	629.00	3,030.71	2,204.09	80.30	50.98	80.00	80.00

Particulars	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
MD		
Other Current Liabilities	6.23	6.23
NED		
Other Current Liabilities		
Mr. A M Misra	8.50	7.83
Mr. D K Banerjee	6.12	5.65
Mr. Manoj T Thomas	7.14	8.70
Mr. P C Parakh	7.82	6.09
Dr. Omkar N Mohanty	6.12	6.52
Krishnava S Dutt	1.36	2.61
Dr. Sougata Ray	2.04	-
Total	45.33	43.63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 EMPLOYEE BENEFITS

(a) Superannuation

	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Contribution to superannuation fund	106.58	107.69
	106.58	107.69

(b) Post Retirement Gratuity and Ex-MD Pension

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 Scheme is funded by way of a separate irrevocable Trust and the Group is expected to make regular contributions to the Trust. The fund is managed by an insurance Company and the assets are invested in their conventional group gratuity product. The fund provides a capital guarantee of the balance accumulated and declares interest periodically that is credited to the fund account. The Trust assets managed by the fund manager are highly liquid in nature and we do not expect any significant liquidity risks. The Trust is responsible for investment of assets of the Trust as well as day to day administration of the scheme.

The gratuity plan typically exposes the Group to actuarial risks such as: interest rate risk, longevity risk and salary risk.

- 1 Interest 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.

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, 2019 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.

The Board of Directors of the Company grants approval for provisions of special retirement benefits to Managing Directors. The retirement benefit includes indexed monthly pension which is reviewed in every three years and medical benefits. The benefits in short are called as Ex-MD pension and Post Retirement Medical Benefit (PRMB). Both the benefit schemes are available to the spouses of concern MDs.

The said benefits are not contractual obligation of the Group. The provisions of the above benefits can only be given after signing the agreement containing the no-compete clause. The liability are not funded by the Group and disclosed as defined benefit plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Details of the funded gratuity and unfunded post retirement pension are as follows:

	Year ended 31 March, 2019		Year ended 31 March, 2018	
	Gratuity	Ex - MD Pension	Gratuity	Ex - MD Pension
	Amount (Rs. in lacs)	Amount (Rs. in lacs)	Amount (Rs. in lacs)	Amount (Rs. in lacs)
1 Reconciliation of opening and closing balances of obligation				
a. Opening defined benefit obligation	1,778.80	1,169.93	1,783.95	1,277.01
b. Current service cost	96.78	-	97.14	-
c. Interest cost	127.52	84.95	119.78	86.79
d. Remeasurement (gains)/losses				
(i) Actuarial gains and losses arising from changes in demographic assumption	-	-	6.41	-
(ii) Actuarial gains and losses arising from changes in financial assumption	-	-	(50.12)	(63.63)
(iii) Actuarial gains and losses arising from changes in experience adjustments	6.69	16.07	(35.96)	(55.82)
e. Benefits paid	(157.11)	(74.42)	(145.58)	(74.42)
f. Past service costs	-	-	-	-
g. Acquisition cost	-	-	3.18	-
Closing defined benefit obligation	1,852.68	1,196.53	1,778.80	1,169.93
2 Movements in the fair value of the plan assets are as follows:				
a. Opening fair value of plan assets	1,753.11	-	1,783.94	-
b. Interest income	126.15	-	119.78	-
c. Remeasurement gains/(losses)				
(i) Return on plan assets (excluding amounts included in net interest expense)	8.41	-	(33.40)	-
d. Contributions from the employer	122.12	-	25.19	-
e. Benefits paid	(157.11)	-	(145.58)	-
f. Acquisition cost	-	-	3.18	-
Fair value of plan assets as at end of the year	1,852.68	-	1,753.11	-
	As at 31 March, 2019		As at 31 March, 2018	
	Gratuity	Ex - MD Pension	Gratuity	Ex - MD Pension
	Amount (Rs. in lacs)	Amount (Rs. in lacs)	Amount (Rs. in lacs)	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	1,852.68	-	1,753.11	-
b. Present value of funded/unfunded defined benefit obligation as at the end of the year	1,852.68	1,196.53	1,778.80	1,169.93
c. Amount recognised in the balance sheet				
(i) Retirement benefit liability - Current	-	74.24	25.69	70.23
(ii) Retirement benefit liability - Non current	-	1,122.29	-	1,099.70

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2019		Year ended 31 March, 2018	
	Gratuity	Ex - MD Pension	Gratuity	Ex - MD Pension
	Amount (Rs. in lacs)	Amount (Rs. in lacs)	Amount (Rs. in lacs)	Amount (Rs. in lacs)
a. Service cost				
(i) Current service cost	96.78	-	97.14	-
(ii) Past service cost	-	-	-	-
b. Net interest expense	1.37	84.95	-	86.79
Components of defined benefit costs recognised in profit or loss	98.15	84.95	97.14	86.79
Remeasurement on the net defined benefit liability:				
c. The return on plan assets (excluding amounts included in net interest expense)	(8.41)	-	33.40	-
d. Actuarial gains and losses arising from changes in demographic assumption	-	-	6.41	-
e. Actuarial gains and losses arising from changes in financial assumption	-	-	(50.12)	(63.63)
f. Actuarial gains and losses arising from changes in experience adjustments	6.69	16.07	(35.96)	(55.82)
Defined benefit costs recorded in Other comprehensive income	(1.72)	16.07	(46.27)	(119.45)
Total of defined benefit costs	96.43	101.02	50.87	(32.66)

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 Group relating to Gratuity are managed through a trust are invested through 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.

	As at 31 March, 2019	As at 31 March, 2018
Category of Plan Assets:	In %	In %
Funded with LIC	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at 31 March, 2019		As at 31 March, 2018	
	Gratuity	Ex - MD Pension	Gratuity	Ex - MD Pension
a. Discount rate (per annum)	7.50%	7.50%	7.50%	7.50%
b. Expected rate of salary increase (per annum)	8.00%	6.00%	8.00%	6.00%
c. Mortality rate	Indian Assured Lives Mortality (2006-08) ult.	LIC (1996-98) Annuitants ultimate	Indian Assured Lives Mortality (2006-08) ult.	LIC (1996-98) Annuitants ultimate
d. Withdrawal rate				
- Ages from 20-25				
- Ages from 25-30				
- Ages from 30-35				
- Ages from 35-50	1.00%	Refer note below	1.00%	Refer note below
- Ages from 50-55				
- Ages from 55-58				

Note :

In respect of Ex - MD Pension, the effects of mortality and withdrawal have been factored by constructing a Multiple Decrement Table taking into account the above mortality table.

	As at 31 March, 2019		As at 31 March, 2018	
	Gratuity	Ex - MD Pension	Gratuity	Ex - MD Pension
7 Duration				
Weighted average duration of the defined benefit obligation (Active members)				
Number of years	6	11	7	11
	Gratuity	Ex - MD Pension	Gratuity	Ex - MD Pension
	Amount	Amount	Amount	Amount
	(Rs. in lacs)	(Rs. in lacs)	(Rs. in lacs)	(Rs. in lacs)
Maturity Profile of Defined Benefit Obligation				
Within 1 year	262.71	76.98	145.39	72.81
1-2 year	214.52	79.41	267.30	75.34
2-5 years	869.84	250.62	750.54	230.49
Over 5 years	1025.40	852.56	1,220.39	718.22
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	1,852.68	1,196.53	1,778.80	1,169.93
Fair value of plan assets	1,852.68	-	1,753.11	-
Funded status	-	(1,196.53)	(25.69)	(1,169.93)
Expected contribution (best estimate) to funded plans in subsequent financial year	-	NA	25.69	NA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis 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.93.93 lacs** (increase by **Rs. 106.83 lacs**) [as at 31 March, 2018: decrease by Rs. 104.19 lacs (increase by Rs. 92.58 lacs)].
- ii) If the expected salary growth increases/ (decreases) by 100 basis points, the defined benefit obligation would increase by **Rs. 105.29 lacs** (decrease by **Rs. 94.37 lacs**) [as at 31 March, 2018: increase by Rs. 102.96 lacs (decrease by Rs. 93.23 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. 115.06 lacs** (increase by **Rs. 137.54 lacs**) [as at 31 March, 2018: decrease by Rs. 135.73 lacs (increase by Rs. 113.35 lacs)] .
- ii) If the expected salary growth increases/ (decreases) by 100 basis points, the defined benefit obligation would increase by **Rs. 138.25 lacs** (decrease by **Rs. 117.56 lacs**) [as at 31 March, 2018: increase by Rs. 136.78 lacs (decrease by Rs. 116.07 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.

The Group ensures that the investment positions are managed within an asset liability matching (ALM) framework that has been developed to achieve long term investments that are in line with the obligations under the employee benefit plans. Within this framework, the Group's ALM objective is to match assets to the gratuity obligations by investing with LIC.

c) Details of the unfunded PRMB are as follows:

	Year ended	Year ended
	31 March, 2019	31 March, 2018
	PRMB	
	Amount	Amount
	(Rs. in lacs)	(Rs. in lacs)
1 Reconciliation of opening and closing balances of obligation		
a. Opening defined benefit obligation	76.56	81.02
b. Interest cost	5.65	5.48
c. Remeasurement (gains)/losses		
(i) Actuarial gains and losses arising from changes in financial assumption	-	(3.01)
(ii) Actuarial gains and losses arising from changes in experience adjustments	(4.76)	(1.42)
d. Benefits paid	(2.35)	(5.51)
e. Past service costs	-	-
Closing defined benefit obligation	75.10	76.56

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	As at 31 March, 2019	As at 31 March, 2018
	PRMB	
	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	75.10	76.56
c. Amount recognised in the balance sheet		
(i) Retirement benefit liability - current	7.35	7.37
(ii) Retirement benefit liability - non current	67.75	69.19

3 Amounts recognised in the Statement of Profit and Loss in respect of these defined benefit plans are as follows:

	As at 31 March, 2019	As at 31 March, 2018
	PRMB	
	Amount (Rs. in lacs)	Amount (Rs. in lacs)
a. Service cost		
(i) Current service cost	-	-
(ii) Past service cost	-	-
b. Net interest expense	5.65	5.48
Components of defined benefit costs recognised in profit or loss	5.65	5.48
Remeasurement on the net defined benefit liability:		
c. Actuarial gains and losses arising from changes in financial assumption	-	(3.01)
d. Actuarial gains and losses arising from changes in experience adjustments	(4.76)	(1.42)
Components of defined benefit costs recorded in other comprehensive income	(4.76)	(4.43)
Total	0.89	1.05

4 The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at 31 March, 2019	As at 31 March, 2018
a. Discount rate (per annum)	7.50%	7.50%
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

- 5 The average duration of the defined benefit plan obligation representing average duration for active members is **8 years** (As at 31 March, 2018: 8 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis 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. 5.36 lacs** (increase by **Rs. 6.20 lacs**) [as at 31 March, 2018: decrease by Rs. 6.32 lacs (increase by Rs. 5.47 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 consolidated balance sheet.

Additional information relating to employee benefits obligation:

- The estimate of future salary increases take into account inflation, seniority, promotion and other relevant factors.
- Discount rate is based on the prevailing market yields of Government securities as at the Balance Sheet date for the estimated term of the obligations.
- 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.
- Net liabilities for pension, gratuities and post retirement medical benefits is disclosed in Note 14 under the heading "Post-employment defined benefits".
- Expenses relating to pension and post retirement medical benefits are included in Employee benefits expense under the heading Salaries and Wages in Note 24 whereas expenses for retiring gratuities are included under the Contribution to Provident and Other Funds in Note 24.

(d) Actuarial assumptions for compensated absences

Particulars	Refer note below	As at	
		31 March, 2019	31 March, 2018
(i) Discount rate (per annum)	1	7.50%	7.50%
(ii) Salary escalation rate (per annum)	3	8.00%	8.00%

Notes :

- 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.
- The compensated absences plan is funded.
- The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (e) **Provident Fund** - All employees in the rolls of the Group receive provident fund benefits, which are administered by the Provident Fund Trust exempted under section 17(1)(a) of Employees Provident Fund and Miscellaneous Provisions Act 1952 set up by the Group. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or termination of employment. Both the employees and the Group make monthly contributions at specified percentage of the employees' salary to Provident Fund Trust. If the Board of Trustees is unable to pay interest at the rate declared for Employees Provident Fund by the Govt. of India under Para 60 of the Employees Provident Fund Scheme, 1952 for the reason that the return on Investment is less or for any other reason then the deficiency shall be made good by the Group.

The Actuary has carried out year-end actuarial valuation of plan's liabilities and interest rate guarantee obligations as at the balance sheet date using Projected Unit Credit Method and Deterministic Approach as outlined in the Guidance Note 29 issued by the Institute of Actuaries of India. Based on such valuation, there is no future anticipated shortfall with regard to interest rate obligation of the Group as at the Balance Sheet date. Further during the year, the Group's contribution of Rs.200.24 lacs (31 March, 2018: Rs.193.68 lacs) to the Provident Fund Trust has been expensed under the 'Contribution to Provident and Other Funds' in Note 24. Disclosures given hereunder are restricted to the information available as per the Actuary's Report.

	As at 31 March, 2019	As at 31 March, 2018
Discount rates	7.50%	7.50%
Expected yield on plan assets	8.75%	8.75%
Guaranteed Interest Rate	8.65%	8.55%

(f) **Risk Exposure**

Though its defined benefit plans, the Group is exposed to some risks, the most significant of which are detailed below:

Discount Rate Risk

The Group is exposed to the risk of fall in discount rate. A fall in discount rate will eventually increase the ultimate cost of providing the above benefit thereby increasing the value of the liability.

Salary Growth Risks

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.

Demographic Risk

In the valuation of the liability, certain demographic (mortality and attrition rates) assumptions are made. The Group is exposed to this risk to the extent of actual experience eventually being worse compared to the assumptions thereby causing an increase in the benefit cost.

- (g) The Company is in the process of evaluating the impact of the recent Supreme Court Judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-1/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the management the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 SEGMENT REPORTING

- (a) 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	Rs. in lacs	
	Year ended 31 March, 2019	Year ended 31 March, 2018
Segment revenue		
Sponge Iron	93,873.20	76,123.17
Power	7,004.84	7,243.08
Less: Inter segment transaction	(1,672.74)	(1,701.71)
	99,205.30	81,664.54
Segment results		
Sponge Iron	9,427.90	12,468.48
Power	4,120.73	4,750.88
Unallocated income/(expenditure)*	5,535.65	4,125.88
Profit Before Finance Cost and Tax	19,084.28	21,345.24
Less: Finance costs	302.18	324.67
Profit before tax	18,782.10	21,020.57
Less: Tax expenses	6,343.43	6,932.62
Profit after tax	12,438.67	14,087.95
Other comprehensive income	984.57	111.25
Total comprehensive income for the year	13,423.24	14,199.20
* Includes Interest Income earned during the year Rs. 3,915.98 lacs (year ended 31 March, 2018 Rs. 2,762.55 lacs)		
Segment assets and liabilities		
Particulars		
Segment assets		
Sponge Iron	66,012.36	44,572.29
Power	4,262.29	4,573.23
Unallocated	62,170.07	72,290.47
	1,32,444.72	1,21,435.99
Segment liabilities		
Sponge Iron	13,933.26	12,768.36
Power	603.18	711.24
Unallocated	9,545.54	9,303.79
	24,081.98	22,783.39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Name of customers who contributed 10% or more to the Group's revenue:

Name of customer	Rs. in lacs	
	Year ended 31 March, 2019 Amount (Rs. in lacs)	Year ended 31 March, 2018 Amount (Rs. in lacs)
A. Sponge Iron		
K.D Iron & Steel Co.	-	7,898.63
Lhaki Steels & Rolling Private Limited	14,271.04	9,328.79
Sponge Sales India Pvt. Ltd	13,064.93	8,028.80
TATA International Ltd.	9,872.36	7,848.18
	37,208.33	33,104.40
B. Power		
Tata Steel Limited	4,314.52	5,457.67
	4,314.52	5,457.67
	41,522.85	38,562.07

(e) Information about geographical areas revenue

	Year ended 31 March, 2019 Amount (Rs. in lacs)	Year ended 31 March, 2018 Amount (Rs. in lacs)
India	73,087.20	63,952.66
Outside India*	19,888.14	11,563.89
	92,975.34	75,516.55

*Outside India represents sales to customers in Bhutan

Particulars	Rs. in lacs	
	As at 31 March, 2019	As at 31 March, 2018
(f) Additions to Non - Current assets		
Sponge Iron	8,455.13	682.55
Power	-	-
Unallocated	-	-
	8,455.13	682.55
(g) Depreciation and amortisation		
Sponge Iron	916.97	989.34
Power	240.93	240.94
Unallocated	-	-
	1,157.90	1,230.28

(h) There were no material non-cash expenditure incurred during the current and previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 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 Group 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	Rs. in lacs					
	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018	Year ended 31 March, 2019	Year ended 31 March, 2018
Carrying amount as at beginning of the year	2,538.75	2,512.77	601.00	601.00	1,887.91	1,589.31
Provision made during the year	122.46	25.98	-	-	179.71	298.60
Amount paid during the year	-	-	-	-	-	-
Amount reversed during the year	55.46	-	-	-	-	-
Carrying amount as at the end of the year	2,605.75	2,538.75	601.00	601.00	2,067.62	1,887.91
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

37 ASSETS HYPOTHECATED AS SECURITY

The carrying amount of inventories and trade receivables (Note 09 and 10 respectively) are hypothecated as Primary security and Property, plant and equipment (Note 03) hypothecated as collateral security for working capital requirements.

38 OPERATING LEASES

The Group 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. 81.23 lacs** (31 March 2018: Rs. 79.29 lacs) have been debited to the Statement of Profit and Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY:

- a. Gross amount required to be spent by the Group during the year 31 March, 2019 : **Rs. 223.44 lacs** (year ended 31 March, 2018 Rs. 179.22 lacs)
- b. Amount spent during the year ended 31 March, 2019 (figures in brackets represents amount for the previous year)

		Rs. in lacs		
SI 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	163.50	72.75	236.25
		(125.36)	(55.10)	(180.46)
	Total	163.50	72.75	236.25
		(125.36)	(55.10)	(180.46)

- 40** The Group did not have any material foreseeable losses on long-term contracts as at 31 March, 2019. The Group did not have any derivative contracts as at 31 March, 2019.
- 41** Pursuant to the Business Transfer Agreement ('BTA') entered into between Tata Steel Limited (Group's holding Company) and Usha Martin Limited ('UML') on 22 September, 2018, its subsequent novation in favour of the Tata Sponge iron Limited ('TSIL') and approval by the TSIL's shareholders, the acquisition of steel business of UML has been completed on 9 April, 2019 ('Acquisition date') inter-alia with payment of cash consideration of Rs. 346,863.36 lacs (after adjustments for negative working capital and hold backs of Rs. 64,000.00 lacs pending transfer of some of the assets including mines and certain land parcels) and compliance with other relevant conditions precedents specified in the BTA by respective parties. TSIL will get back Rs.1,456.53 lacs for steel business BGs. The acquisition would help the Group to diversify beyond sponge iron business and enter into steel business with a focus on specialty long products portfolio.

The acquisition date being subsequent to the balance sheet date, no adjustments have been made in the consolidated financial statements for the year ended 31 March, 2019. The Group inter-alia is in the process of determining the fair values of acquired assets and liabilities and accordingly the initial accounting for the business combination is not complete and therefore, no further disclosures are applicable..

42 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Ministry of Corporate Affairs has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 and the Companies (Indian Accounting Standards) Second Amendment Rules, 2019 including the following amendments to Ind AS which the Company has not applied in these consolidated financial statements as they are effective for annual periods beginning on or after 1 April, 2019.

Ind AS 116 'Leases'

Ind AS 116 will impact primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right-of-use the leased item) and a financial liability to pay rentals for almost all lease contracts. An optional exemption exists for short-term and low-value leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Appendix C, 'Uncertainty over Income Tax Treatments', to Ind AS 12, 'Income Taxes'

This appendix clarifies how the recognition and measurement requirements of Ind AS 12 'Income Taxes' are applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The Company is in the process of evaluating the impact of adoption of above amendments on its consolidated financial statements

43 DETAILS RELATING TO GROUP'S SUBSIDIARIES 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, 2019	As at 31 March, 2018
TSIL Energy Limited (Subsidiary)	Generation and sale of power *	India	100%	100%

* The Company was incorporated to primarily engage in generation and sale of power and is yet to carry out such activities.

- 44** There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group, except a sum of **Rs. 4.82 lacs**, which is held in abeyance due to pending legal cases.

45 DISCLOSURE OF ADDITIONAL INFORMATION AS REQUIRED BY 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 net assets	Amount Rs. In lacs
1	2	3	4	5	6
TATA Sponge Iron Limited (Parent)	2018-19	99.89%	108,241.23	99.96%	12,433.16
TSIL Energy Limited (Subsidiary)	2018-19	0.11%	121.51	0.04%	5.51
Total		100.00%	108,362.74	100.00%	12,438.67

Name of entity	Year	Share in other comprehensive income		Share in total comprehensive income	
		As % of consolidated other comprehensive income/(Loss)	Amount Rs. In lacs	As % of consolidated total comprehensive income/(Loss)	Amount Rs. In lacs
1	2	3	4	5	6
TATA Sponge Iron Limited (Parent)	2018-19	100.00%	984.57	99.96%	13,417.73
TSIL Energy Limited (Subsidiary)	2018-19	-	-	0.04%	5.51
Total		100.00%	984.57	100.00%	13,423.24

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF USHA MARTIN LIMITED**

**REPORT ON THE SPECIAL PURPOSE CARVE-OUT
FINANCIAL STATEMENTS**

OPINION

We have audited the accompanying Special Purpose Carve-out Financial Statements of Steel and Bright Bar (SBB) business of Usha Martin Limited ("the Company"), which comprise the Carve-out Balance Sheet as at March 31 2019, the Carve-out Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Carve-out Cash Flow Statement and the Carve-out Statement of Changes in Equity for the year then ended, and notes to the Carve out Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Special Purpose Carve-out Financial Statements have been prepared, in all material respects with the Basis of Preparation set out in Note 2A(a) to the Special Purpose Carve-out Financial Statements.

BASIS FOR OPINION

We conducted our audit of the Special Purpose Carve-out Financial Statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Companies Act, 2013 ("Act"). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Special Purpose Carve-out Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Special Purpose Carve-out Financial Statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Special Purpose Carve-out Financial Statements.

EMPHASIS OF MATTER- REGULATORY APPROVALS

We draw attention to Note 1 to the Special Purpose Carve-out Financial Statements, where in it is stated that a Business Transfer Agreement (BTA) was executed on September 22, 2018 between the Company and Tata Steel Limited ("TSL") for sale and transfer of the Company's SBB business to TSL or its subsidiaries ("the Purchaser") on a going concern basis, under a slump sale arrangement. The transfer to the Purchaser is subject to the satisfaction of conditions precedent as stipulated in the BTA and supplemental BTA entered on April 7, 2019 including receipt of all applicable approvals from concerned

regulators / authorities. Pending receipt of certain approvals, no adjustments to carrying value of assets and liabilities have been made that may arise in case such approvals are not received.

Our opinion is not modified in respect of this matter.

**BASIS OF PREPARATION AND RESTRICTION IN
DISTRIBUTION AND USE**

1. We draw attention to Note 2A(a) [particularly Note 2A(a)(i)(a)] to the Special Purpose Carve-out Financial Statements, which describes the basis of preparation. Our opinion is not modified in respect of this matter.
2. This report is intended solely:
 - a) for the use of the management of Usha Martin Limited; and
 - b) for inclusion in the Letter of Offer as mentioned in Note 1 to the Special Purpose Carve-out Financial Statements.

This report is not to be used, referred to or distributed for any other purpose except without our prior consent in writing.

**RESPONSIBILITY OF MANAGEMENT FOR THE
SPECIAL PURPOSE CARVE-OUT FINANCIAL
STATEMENTS**

The Company's Board of Directors is responsible for the preparation of these Special Purpose Carve-out Financial Statements that have been prepared, in all material respects to present financial position, financial performance including other comprehensive income, cash flows and changes in equity of the SBB business of the Company in accordance with Basis of Preparation set out in Note 2A(a) to the Special Purpose Carve-out Financial Statements including responsibility regarding adjustments to carrying values of certain current assets and / or current liabilities as at March 31, 2019 that may be required consequent to on-going final commercial negotiations on Net Working Capital adjustments specified in the BTA and Supplemental BTA, as specified in Note 2A(a)(i)(a). This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the SBB business 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 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 Special Purpose Carve-out Financial Statements that are free from material misstatement, whether due to fraud or error.

STEEL AND BRIGHT BAR BUSINESS OF USHA MARTIN LIMITED

In preparing the special purpose Carve-out financial statements, management is responsible for assessing the SBB business's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SBB business or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the financial reporting process of SBB business of the Company.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Special Purpose Carve-out Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Special Purpose Carve-out Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose Carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SBB business's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SBB business's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SBB business of the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Bhaswar Sarkar

Partner

Membership Number: 055596

Place of Signature: Kolkata

Date: June 9, 2019

SPECIAL PURPOSE CARVE-OUT BALANCE SHEET AS AT 31ST MARCH, 2019

Particulars	Notes	(All amounts in Rs lakhs)	
		As at 31st March, 2019	As at 31st March, 2018
ASSETS			
Non - current assets			
(a) Property, plant and equipment	3	367,743	386,387
(b) Capital work-in-progress	3	2,487	2,231
(c) Intangible assets	4	1,805	2,305
(d) Financial assets			
(i) Loans	5(i)	-	28
(ii) Other financial assets	5(ii)	676	872
(e) Other non-current assets	6	2,852	5,207
Total non-current assets		375,563	397,030
Current assets			
(a) Inventories	7	30,761	68,009
(b) Financial assets			
(i) Trade receivables	8 (i)	21,504	34,015
(ii) Cash and cash equivalents	8 (ii)	209	11
(iii) Loans	8 (iii)	4	38
(iv) Other financial assets	8 (iv)	-	447
(c) Other current assets	9	755	6,933
Total current assets		53,233	109,453
Total assets		428,796	506,483
EQUITY AND LIABILITIES			
Equity			
Capital	10	232,106	281,646
Total equity		232,106	281,646
Liabilities			
Non - current liabilities			
(a) Provisions	11	2,192	2,862
(b) Government grants	12	2,820	3,151
Total non-current liabilities		5,012	6,013
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	13 (i)	11,595	28,831
(ii) Trade payables			
(A) Total outstanding dues of micro enterprises and small enterprises	13 (ii)	2,048	1,429
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	13 (ii)	149,322	156,886
(iii) Other financial liabilities	13 (iii)	6,638	4,676
(b) Other current liabilities	14	20,282	26,400
(c) Provisions	15	1,683	602
(d) Government Grants	16	110	-
Total current liabilities		191,678	218,824
Total liabilities		196,690	224,837
Total equity and liabilities		428,796	506,483

The accompanying notes are an integral part of the Special Purpose Carve-out Financial Statements.

As per our report of even date
For S.R. Batliboi & Co. LLP
 Chartered Accountants
 ICAI Firm Registration number : 301003E/E300005

per Bhaswar Sarkar
 Partner
 Membership No. : 055596

Place: Kolkata
 Date: June 9, 2019

For and on behalf of the Board of Directors of Usha Martin Limited
Rajeev Jhwar
 Managing Director
 DIN: 00086164

Anirban Sanyal
 Chief Financial Officer

Pravin Kumar Jain
 Joint Managing Director
 (Wire & Wire Rope Business)
 DIN: 02583519

Shampa Ghosh Ray
 Company Secretary
 ACS: 16737

Date : May 27, 2019

STEEL AND BRIGHT BAR BUSINESS OF USHA MARTIN LIMITED

**SPECIAL PURPOSE CARVE-OUT STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31ST MARCH, 2019**

(All amounts in Rs lakhs)

Particulars	Notes	Year ended 31 March, 2019	Year ended 31 March, 2018
Income			
Revenue from contracts with customers	17	394,200	344,627
Other income	18	6,711	3,543
Total income		400,911	348,170
Expenses			
Cost of materials consumed	19	193,863	167,903
Decrease in inventories of finished goods, work-in-progress and scrap/by-product	20	23,283	16,065
Excise duty on sale of goods		-	9,872
Employee benefits expense	21	15,495	13,364
Finance costs	22	49,015	49,450
Depreciation and amortisation expenses	23	23,832	24,461
Other expenses	24	129,391	107,423
Total expense		434,879	388,538
Loss before tax		(33,968)	(40,368)
Tax expense		-	-
Loss for the year		(33,968)	(40,368)
Other comprehensive income / (loss)			
Items that will not be subsequently reclassified to Statement of profit and loss:			
Re-measurement losses on defined benefit plans (net of tax Rs Nil)		(500)	24
Total comprehensive income / (loss) for the year		(34,468)	(40,344)

The accompanying notes are an integral part of the Special Purpose Carve-out Financial Statements.

As per our report of even date
For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number : 301003E/E300005

per Bhaswar Sarkar
Partner
Membership No. : 055596

Place: Kolkata
Date: June 9, 2019

For and on behalf of the Board of Directors of Usha Martin Limited
Rajeev Jhawar
Managing Director
DIN: 00086164

Anirban Sanyal
Chief Financial Officer

Pravin Kumar Jain
Joint Managing Director
(Wire & Wire Rope Business)
DIN: 02583519

Shampa Ghosh Ray
Company Secretary
ACS: 16737

Date : May 27, 2019

**SPECIAL PURPOSE CARVE-OUT STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2019**

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
A. OPERATING ACTIVITIES		
Loss before tax	(33,968)	(40,368)
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation and amortisation expenses	23,832	24,461
Net gain on disposal of property, plant and equipment	(235)	187
Finance costs	49,015	49,450
Bad Debts / advances written off	196	465
Allowance for doubtful debts and advances	3,205	1,860
Allowance for doubtful debts and advances no longer required written back	(980)	-
Property, plant & equipment/Capital Work-in-process written off	3	127
Interest income on financial assets carried at amortised cost	(125)	(36)
Unrealised foreign exchange differences (net)	257	2,063
Liabilities no longer required written back	(4,342)	(1,084)
Operating profit before working capital changes	36,858	37,125
Working capital adjustments:		
Decrease in inventories	37,248	10,928
Decrease in trade receivables	11,341	2,911
Decrease in loans and advances	62	33
Increase in other financial assets	(133)	(912)
Decrease in other assets	7,633	2,799
(Decrease)/increase in trade payables	(6,535)	11,414
Increase/(decrease) in provisions	1,544	(18)
Increase/(decrease) in other financial liabilities	527	(1,840)
(Decrease)/increase in other liabilities	(5,292)	12,271
Cash generated from operations	83,253	74,711
Direct taxes (paid) / refund	-	-
Net cash flows from operating activities	83,253	74,711
B. INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,852)	(6,155)
Proceeds from sale of property, plant and equipment	472	111
Interest received	258	-
Net cash flows used in investing activities	(3,122)	(6,044)
C. FINANCING ACTIVITIES		
Repayment of short term borrowings	(17,236)	(1,297)
Interest paid	(47,572)	(48,370)
Changes in Capital	(15,125)	(19,051)
Net cash flows used in financing activities	(79,933)	(68,718)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	198	(51)
Cash and cash equivalents at the beginning of the year	11	62
Cash and cash equivalents at the year end	209	11
Cash and cash equivalents as per Note 8 (ii):		
Balances with banks:		
On current accounts	1	3
Cash on hand	7	8
Remittance in transit	201	-
	209	11

Note:

The figures in bracket indicate outflows.

The accompanying notes are an integral part of the Special Purpose Carve-out Financial Statements.

As per our report of even date

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration number : 301003E/E300005

per Bhaswar Sarkar

Partner

Membership No. : 055596

Place: Kolkata

Date: June 9, 2019

For and on behalf of the Board of Directors of Usha Martin Limited

Rajeev Jhavar

Managing Director

DIN: 00086164

Anirban Sanyal

Chief Financial Officer

Pravin Kumar Jain

Joint Managing Director

(Wire & Wire Rope Business)

DIN: 02583519

Shampa Ghosh Ray

Company Secretary

ACS: 16737

Date : May 27, 2019

STEEL AND BRIGHT BAR BUSINESS OF USHA MARTIN LIMITED

**SPECIAL PURPOSE CARVE-OUT STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH, 2019**

(All amounts in Rs lakhs)

EQUITY	
Capital*	
As at 1st April, 2017	341,065
Changes in capital during the year	(59,419)
As at 31st March, 2018	281,646
Changes in capital during the year	(49,540)
As at 31st March, 2019	232,106

* Represents the difference between the assets and liabilities of the Steel and Bright Bar business, being net asset value.

The accompanying notes are an integral part of the Special Purpose Carve-out Financial Statements.

As per our report of even date

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration number : 301003E/E300005

per Bhaswar Sarkar

Partner

Membership No. : 055596

Place: Kolkata

Date: June 9, 2019

For and on behalf of the Board of Directors of Usha Martin Limited

Rajeev Jhawar

Managing Director

DIN: 00086164

Anirban Sanyal

Chief Financial Officer

Pravin Kumar Jain

Joint Managing Director

(Wire & Wire Rope Business)

DIN: 02583519

Shampa Ghosh Ray

Company Secretary

ACS: 16737

Date : May 27, 2019

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

1. COMPANY AND STEEL AND BRIGHT BAR BUSINESS OVERVIEW

Usha Martin Limited (the 'Company') is a public limited company incorporated and domiciled in India and is engaged in the following businesses:

- Steel and Bright Bar – Manufacture and sale of steel wire rods, bright bar, rolled products, billets, pig iron and allied products.
- Wire and Wire ropes – Manufacture and sale of steel wires, strands, wire ropes, cord, related accessories, etc.
- Others – Manufacture and sale of wire drawing and allied machines

The Board of Directors and shareholders of the Company at their respective meetings held on September 22, 2018 and November 10, 2018, approved the sale and transfer of the Company's Steel Business and plant and machinery of the bright bar business (together termed as "Steel and bright bar business" or "SBB Business" henceforth) to Tata Steel Limited ("TSL") or its subsidiaries on a going concern basis under a slump sale arrangement. The SBB Business includes a specialised steel alloy manufacturing plant, an operative iron ore mine, a coal mine under development, captive power plants and plant and machinery of bright bar business. Accordingly, a Business Transfer Agreement ('BTA') was executed on September 22, 2018 between the Company and TSL. Subsequently, on October 24, 2018, the Company has entered into a novation agreement with TSL and Tata Sponge Iron Limited (the 'Purchaser'), a subsidiary of TSL whereby all rights and obligations of TSL under the terms of the BTA was assumed by the Purchaser. On April 7, 2019, the Company further entered into a supplemental agreement ('Supplemental BTA') with the Purchaser to record the amendment and substitution of certain provisions of the BTA. The transfer of SBB Business to the Purchaser is subject to the satisfaction of conditions precedent as stipulated in the BTA and Supplemental BTA and receipt of applicable permissions and consents from concerned regulators / authorities, where applicable.

Subsequent to year end, the Company has completed the sale of its steel business and completed the registration of the transfer deed with the Purchaser and the Governor of Jharkhand, in relation to the transfer of the operative iron ore mine in favour of the Purchaser. However, the transportation of the iron ore extracted from the mine to Purchaser's plant will take some time pending grant of permissions from the concerned authorities. Also refer note 33.:

The Purchaser has announced its plan to raise funds through right issue of equity shares for funding of the following objects:

- a) Repayment / pre-payment / redemption, in part or full, of certain outstanding borrowings availed by the Purchaser; and
- b) Expenses to be incurred towards general corporate purposes.

These Special Purpose Carve-out Financial Statements will be included in the Letter of Offer to be prepared by the Purchaser in connection for filing with SEBI, in connection with the proposed Right Issue, as aforesaid.

2A. Basis of preparation of Special Purpose Carve-out Financial Statements

a) Basis of preparation

(i) The Special Purpose Carve-out Financial Statements of the SBB Business, which comprise the Carve-out Balance Sheet as at March 31 2019, the Carve-out Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Carve-out Cash Flow Statement and the Carve-out Statement of Changes in Equity for the year then ended, and notes to the Carve out Financial Statements, including a summary of significant accounting policies and other explanatory information [collectively the "Special Purpose Carve-out Financial Statements"] have been prepared:

- a) taking into consideration the terms of the BTA (including supplemental BTA) subject to on-going further/final commercial negotiation (on Net Working Capital adjustments specified in the BTA) between the Company and the Purchaser which may impact carrying values of certain current assets and / or current liabilities as at 31st March, 2019;
- b) measurement, recognition and disclosure requirements of Indian Accounting Standards (Ind AS) for assets / liabilities covered by the BTA subject to the amendments and substitution vide Supplemental BTA and
- c) Guidance Note on Combined and Carve Out Financial Statements issued by the Institute of Chartered Accountants of India ("Guidance Note") to the extent applicable.

Accordingly, the Special Purpose Carve-out Financial Statements include only those assets and liabilities (including contingencies) that are to be acquired by the Purchaser under the terms of the BTA subject to the amendments and substitution vide Supplemental BTA (assumed assets, assumed liabilities and assumed litigations).

- (ii) The assumed assets and assumed liabilities, related income and expenses and allocated expenses including

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

interest cost and corporate shared service expenses have been reported in the Special Purpose Carve-out Financial Statements in accordance with recognition, measurement, recognition principles prescribed by Ind AS.

- (iii) As per BTA subject to the amendments and substitution vide Supplemental BTA, "Bright Bar Unit" means all the plant and machinery pertaining to the bright bar business of the Company located at Ranchi and Chennai respectively. Accordingly, in preparing the Special Purpose Carve-out Balance Sheet, only plant and machinery pertaining to the bright bar business of the Company located at Ranchi and Chennai has been considered.
- (iv) The SBB Business has historically operated as part of the Company and not as a standalone entity. Financial statements representing the operations of the SBB Business have been derived from the Company's accounting records and are presented on a carve-out basis. As part of the Company, the SBB Business is dependent upon the Company for all of its working capital and financing requirements as the Company uses a centralized approach to cash management and financing of its operations. All long term borrowings including current maturities and short term borrowings representing working capital loans and loans repayable on demand that are not assumed liabilities under the terms of BTA have not been recognised in these Special Purpose Carve-out Financial Statements.

The principal purpose of carve-out statement of Profit and Loss is to present the historical operations of the carve-out entity and reflect all the costs of doing business and corresponding revenue. Therefore, these Special Purpose Carve-out Statement of Profit and Loss includes the relevant costs and revenue as if the carve-out entity operated under its parent in the year presented. Consequently, finance costs relating to borrowings have been recognised in these Special Purpose Carve-out Financial Statements because the proceeds from borrowings were used to fund the operations of the SBB Business during the year. An appropriate amount of interest charge based on the portion of the debt pertaining to the SBB Business has been allocated and recognised in these Special Purpose Carve-out Financial Statements.

- (v) Capital, as disclosed in these Special Purpose Carve-out Financial Statements, being net asset value, represents the difference between the assumed assets and assumed liabilities of the SBB Business.
- (vi) Assets, liabilities, income and expenses recognised in these Special Purpose Carve-out Financial Statements that are directly attributable to SBB Business are based on the books of account and underlying

accounting records maintained by the SBB Business. Assets, liabilities, income and expenses recognised in these Special Purpose Carve-out Financial Statements that are either not readily identifiable from the books of account maintained by the Company or not directly attributable to SBB Business have been allocated on a reasonable basis as below -

- a) The historical costs reflected in Special Purpose Carve-out Financial Statements include an allocation for certain corporate and shared service functions historically provided by the Company to the SBB Business, including, but not limited to, accounting, treasury, tax, legal, human resources and other shared services. These expenses have been allocated to SBB Business on the basis of direct utilisation where identifiable and in other cases allocated on the basis of turnover of the business vis a vis the turnover of the Company as a whole.
 - b) Interest charge relating to the debt has been allocated on the basis as explained in point (iv) above.
 - c) Income and expenses pertaining to bright bar business have been allocated on a reasonable basis taking into consideration the percentage of production, turnover, employee head count, etc.
 - d) Disclosures in respect of post-employment defined benefit plans including current service cost, net interest cost, remeasurement (gains)/losses on defined benefit plans etc. as disclosed in the notes to these Special Purpose Carve-out Financial Statements have been allocated on the basis of gross actuarial liability of employees of the SBB Business.
 - e) Unrealised profit/ loss arising on account of sale of wire rod by SBB Business to the Company's other businesses and included in period end inventories of those other businesses have been eliminated from profits of the SBB Business with corresponding adjustments against such period end inventories."
- (vii) These Special Purpose Carve-out Financial Statements may not include all of the actual expenses that would have been incurred had the carve-out business operated as a standalone company during the period presented and may not reflect results of operations and financial position had it operated as a standalone company during such period. Actual costs that would have been incurred if carve-out business had operated as a standalone company would depend on multiple factors, including organizational structure, capital structure and strategic and tactical decisions made in various areas, including information technology and infrastructure.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

Therefore, the resulting financial position and financial performance in these Special Purpose Carve-out Financial Statements may not be that which might have existed if the carve-out business had been a stand-alone Company. Further, the information may not be representative of the position which may prevail after the transaction.

- (viii) Pursuant to the terms of the BTA, certain assets pertaining to SBB Business are pass through in nature (i.e. the beneficial ownership of these assumed assets continued to be with the Company) such as export incentives receivable, claims receivables, deposit for fuel surcharge matter/electricity matter and deposit for a legal mining case which would be transferred immediately to the Company by the Purchaser whenever received post-closing date. Consequently, such receivables have been retained by the Company and is not forming part of the Special Purpose Carve-out Financial Statements.
- (ix) The Special Purpose Carve-out Financial Statements as presented are not legal entity financial statements and hence, no earnings per share (EPS), basic and diluted, has been computed and disclosed.
- (x) As per BTA subject to the amendments and substitution vide Supplemental BTA, the costs that may have to be incurred for transfer of plant and machinery of bright bar business from their current location to the Purchaser's premises and other transaction costs in respect of appraisal cost, professional fees, documentation, legal expenses, counsel's fees etc. will not be borne by the SBB Business and hence have not been recognised in these Special Purpose Carve-out Financial Statements.
- (xi) Contingent liabilities of the SBB Business have been reported on the basis of list of assumed litigations read with excluded liabilities as per the terms specified in the BTA subject to the amendments and substitution vide Supplemental BTA.
- (xii) Pursuant to the requirement of paragraph 32 and 33 of the Guidance Note on Combined and Carve-Out Financial Statements issued by the Institute of Chartered Accountants of India, tax expenses has been determined for the SBB Business as if the carve-out business is a separate taxable entity. For the purpose of these Special Purpose Carve-out Financial Statements, deferred tax assets on brought forward business losses and unabsorbed depreciation has been recognised only to the extent of deferred tax liabilities, in view of uncertainty of recovery of such assets by the Purchaser.
- (xiii) The Special Purpose Carve-out Financial Statements have been prepared under the historical cost convention on the accrual basis.

(xiv) These Special Purpose Carve-out Financial Statements were approved by the Board of Directors of the Company on May 27, 2019 for the use of the management of the Company and for inclusion in the Letter of Offer of the Purchaser.

b) Functional and presentation currency and rounding off

These Special Purpose Carve-out Financial Statements are prepared in Indian Rupee which is the functional currency. All financial information presented in Rupees has been rounded to the nearest lakhs.

c) Changes in disclosures

New and amended standards and interpretations

The first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 April 2018 has been considered in these Special Purpose Carve-out Financial Statements. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations which are effective for annual periods beginning on or after 1 April 2019, but do not have an impact on the Special Purpose Carve-out Financial Statements of the SBB Business. The SBB Business has not early adopted any standards or amendments that have been issued but are not yet effective.

Ind AS 115: Revenue from Contracts with Customers

Ind AS 115 supersedes Ind AS 11 Construction Contracts and Ind AS 18 Revenue and it applies, with limited exceptions, to all revenue arising from contracts with customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Ind AS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The SBB Business adopted Ind AS 115 using the modified retrospective method of adoption with the date of initial application of April 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The SBB Business elected to apply the standard to all contracts as at April 1, 2018.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

On the basis of the analysis conducted, the new standard resulted in identification of various standalone components of each revenue contracts as separate performance obligations implying segregation of revenue based on fulfilment of each such standalone obligation. The overall effect of implementation of Ind AS 115 is not material on the recognition and measurement of revenues. The SBB Business adopted the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at April 01, 2018 without adjustment of comparatives and the new standard were applied to contracts that were in force at that date.

Refer note 25 of the Special Purpose Carve-out Financial Statements for key judgements involved in adoption of Ind AS 115.

The nature of the adjustments considered as per Ind AS 115 are described below:

1. *Shipping and insurance terms (export and domestic)*

Shipping and insurance services may be considered a separate performance obligation if control of the goods transfers to the customer before shipment, but the entity has promised to ship the goods (or arrange for the goods to be shipped). If control of a good does not transfer to the customer before shipment, shipping is not a separate promised service to the customer. Rather, it may be a fulfilment cost. The SBB Business acts as a primary obligor, identifies and negotiates with the transporters and insurance service providers. The key judgements in respect of shipping and insurance terms (export and domestic) and impact thereof in these Special Purpose Carve-out Financial Statements has been explained in Note 25.

2. *Sale of goods with variable consideration*

Some contracts for the sale of goods provide customers with volume rebates. Before adopting Ind AS 115, the SBB Business recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the SBB Business deferred recognition of revenue until the uncertainty was resolved. Under Ind AS 115, rights of volume rebates give rise to variable consideration.

Before adoption of Ind AS 115, the Group estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included an allowance for rebates in other payables.

Under Ind AS 115, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the SBB Business applied the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The key judgements in respect of sale of goods with variable consideration and impact thereof in these Special Purpose Carve-out Financial Statements has been explained in Note 25.

Appendix B to Ind AS 21- Foreign currency transactions and advance consideration

The appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The impact of this amendment on the Special Purpose Carve-out Financial Statements is not material.

Amendments to Ind AS 12 - Recognition of deferred tax assets for unrealised losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 April 2018. These amendments do not have any material impact on the Special Purpose Carve-out Financial Statements.

Amendment to Ind AS 20 - Government grant related to non-monetary asset

The amendment clarifies that where the government grant related to asset, including non-monetary grant at fair value, shall be presented in balance sheet either by

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Prior to the amendment, Ind AS 20 did not allow the option to present asset related grant by deducting the grant from the carrying amount of the asset. The SBB business has continued with existing policy of recording gross accounting in carrying value of property, plant and equipment and related grant and does not want to change this option. Accordingly there is no impact of this amendment in these Special Purpose Carve-out Financial Statements.

In addition to above, the following changes to Ind AS have also become applicable to the Company. However, their adoption did not have any impact as there are no such transactions or existing policies of the Company are already in compliance with the amendments.

Amendments to Ind AS 40 Transfers of Investment Property

Amendments to Ind AS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

Amendment to Ind AS 112 Disclosure of Interests in Other Entities

Amendments to Ind AS Schedule III to the Companies Act, 2013

The Ministry of Corporate Affairs (MCA), vide its notification dated 11 October 2018, amended Division II (Ind AS) of Schedule III to the Companies Act. The changes are applicable for the financial ending 31 March 2019 and require the Company to make few additional disclosures/reclassify certain items in the financial statements. The Company has made these changes in the relevant note. The application of these changes did not have material impact on the financial statements."

d) Standards issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the SBB Business's financial statements are disclosed below. The SBB Business intends to adopt these standards, if applicable, when they become effective.

Ind AS 116 Leases was notified in October 2018 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes

two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases. Ind AS 116, which is effective for annual periods beginning on or after 1 April 2019, requires lessees and lessors to make more extensive disclosures than under Ind AS 17.

The SBB Business intends to adopt this standard when it becomes effective. As the SBB Business does not have any material leases, therefore the adoption of this standard is not likely to have a material impact in its SBB Business financial statements.

The following standards that are issued but are not yet effective are not applicable to the SBB Business :

Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

Ind AS 109 – Prepayment Features with Negative Compensation

Ind AS 19 – Plan Amendment, Curtailment or Settlement

Ind AS 23 – Borrowing Costs

Ind AS 28 – Long-term Interests in Associates and Joint Ventures

Ind AS 103 – Business Combinations and Ind AS 111 - Joint Arrangements

2B Significant accounting policies

The SBB Business has applied the following accounting policies to the period presented in the Special Purpose Carve-out

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

Financial Statements. The significant accounting policies has to be read in conjunction with basis of preparation as set out in note 2A above.

a. Current versus non-current classification

The SBB Business presents assets and liabilities in the balance sheet based on current / non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The SBB Business classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current only.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The SBB Business has identified twelve months as its operating cycle.

b. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the SBB Business expects to be entitled in exchange for those goods or services. The SBB Business has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Goods and Service Tax (GST) is not received by the SBB Business on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the Government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

The SBB Business considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the SBB Business considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Rendering of services

Revenue from the sale of services is recognised upon the rendering of services and are recognised net of GST. The SBB Business recognises revenue from rendering of services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the SBB Business.

Interest income

Interest income is included in other income in the statement of profit and loss. For all financial instruments, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the SBB Business estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the SBB Business performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade Receivables

A receivable represents the SBB Business's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

financial assets in section (o) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the SBB Business has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the SBB Business transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the SBB Business performs under the contract.

c. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, attributable borrowing cost and any other directly attributable costs of bringing an asset to working condition and location for its intended use. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38: Intangible Assets. Accordingly, the SBB Business elected to measure all of its property, plant and equipment at their previous GAAP carrying value as at the date of the transition (1st April, 2015).

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the statements of profit and loss in the period in which the costs are incurred. Major inspection and overhaul expenditure is capitalized if the recognition criteria are met.

When significant parts of plant and equipment are required to be replaced at intervals, the SBB Business depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss, when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(i) Capital work-in-progress

Capital work-in-progress is stated at cost, net of accumulated impairment losses, if any. Assets in the course of construction are capitalized in capital work-in-progress account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment.

(ii) Depreciation

Assets in the course of development or construction and freehold land are not depreciated.

Other property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use.

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line method basis over its expected useful life (determined by the management based on technical estimates), as follows:

Particulars	Useful economic life
Building	30-68 years
Plant and equipment	10-35 years
Railway siding	15 years
Electrical installation	10-30 years
Water treatment and supply plant	30 years
Office equipment	3-5 years
Furniture and fixture	8-22 years
Vehicles	8-10 years

Leasehold land is amortised over the tenure of respective leases. Mining lease and development is amortised over the tenure of lease (till March 2025) or estimated useful life of the mine, whichever is shorter.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

The SBB Business, based on technical assessment made by technical expert and management estimate, depreciates certain items of building, plant and equipment, electrical installation and water treatment and supply over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Major inspection and overhaul costs are depreciated over the estimated life of the economic benefit derived from such cost. The carrying amount of the remaining previous overhaul cost is charged to the statement of profit and loss if the next overhaul is undertaken earlier than the previously estimated life of the economic benefit.

When significant spare parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

d. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The SBB Business has intangible assets with finite useful lives.

Computer softwares are amortised on straight-line method at the rates determined based on estimated useful lives which vary from 2 years to 5 years.

Expenditure related to development of mines are amortized on unit of production basis in proportion to mineral resources expected to be economically recoverable.

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 : Intangible Assets.

Accordingly, the SBB Business elected to measure all of its intangible assets at their previous GAAP carrying value as at the date of the transition (1st April, 2015).

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with

a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

e. Site restoration

An obligation to incur restoration arises due to development of a mine. Such costs, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the statement of profit and loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, changes to lives of operations, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as finance cost in Statement of profit and loss.

f. Foreign currencies

In the Special Purpose Carve-out Financial Statements of the SBB Business, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in other currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in Statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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The SBB Business had applied paragraph 46A of AS 11 : The effects of changes in foreign exchange rates under Indian GAAP. Ind AS 101 gives an option, which has been exercised by the SBB Business, whereby a first time adopter can continue its Indian GAAP policy for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the Indian GAAP financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period. Hence, foreign exchange gain/loss on long-term foreign currency monetary items recognized up to March 31, 2016 has been capitalized. Such exchange differences arising on translation/settlement of long-term foreign currency monetary items and pertaining to the acquisition of a depreciable asset are depreciated over the remaining useful lives of the assets. No amount has been accumulated in ""Foreign Currency Monetary Item Translation Difference Account"". From accounting periods commencing on or after April 1, 2016, exchange differences arising on translation/settlement of long-term foreign currency monetary items, acquired post April 1, 2016, pertaining to the acquisition of a depreciable asset are charged to the statement of profit and loss. A long-term foreign currency monetary item is an item having a term of 12 months or more at the date of its origination.

g. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. Export benefits related to sale of goods are accounted on recognition of export sales under the head "Other Income". Hitherto, income from such benefits were being recognised on the basis of fulfillment of export obligations. Management considers the revised accounting policy prudent since the Company has met its relevant export obligations. Refer note 12.

h. Taxes

Pursuant to the requirement of paragraph 32 and 33 of the Guidance Note on Combined and Carve-Out Financial Statements issued by the Institute of Chartered Accountants of India, tax expenses has been determined for the SBB Business as if the carve-out business is a separate taxable entity.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except when it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the

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asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

j. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

SBB Business as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the SBB Business is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the SBB Business's general policy on the borrowing costs [See note 2B(i)].

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the SBB Business will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rentals payable under operating leases are charged to the statement of profit and loss on 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.

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. The SBB Business has determined that it does not meet criteria

for recognition of lease rental expense/income on a basis other than straight-line basis.

k. Inventories

Inventories are valued at the lower of cost and net realisable value and include those that are expected to be realised after twelve months.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and packing materials, Stores and spares parts and Loose tools: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.
- Work-in-progress and finished goods : Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Cost is determined on weighted average basis.
- Scrap / by products are valued at net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Obsolete inventories are identified and written down to net realisable value. Slow moving and defective inventories are identified and provided to net realisable value.

l. Impairment of non-financial assets

The SBB Business assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the SBB Business estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions

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can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The SBB Business bases its impairment calculation on forecast calculations, which are prepared separately for each of the SBB Business's CGUs to which the individual assets are allocated.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the SBB Business estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss.

m. Provisions and contingent liabilities

Provisions represent liabilities for which the amount or timing is uncertain. Provisions are recognized when the SBB Business has a present obligation (legal or constructive), as a result of past events and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognized in the statement of profit and loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the

discount rate applied are added to or deducted from the cost of the asset.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the SBB Business or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The SBB Business does not recognize a contingent liability but discloses its existence in the Special Purpose Carve-out Financial Statements.

n. Employee benefit schemes

(i) Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, performance incentives and compensated absences which are expected to occur in next twelve months. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Compensated absences:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised based on actuarial valuation (using the projected unit credit method) at the present value of the obligation as on the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss. The SBB Business presents the privilege leave as a current liability in the Balance Sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where the SBB Business has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

(ii) Post-employment benefits

Defined contribution plan

Retirement benefits in form of superannuation is a defined contribution scheme. There are no obligation, other than the contribution payable to the superannuation fund. The SBB Business recognizes contribution payable to the superannuation scheme as an expenditure, when an employee renders the

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to a reduction in future payment or a cash refund.

Contribution towards Provident Fund for certain employees of coal mines and straight bar of SBB Business are made to the regulatory authorities. Such provident fund benefit is classified as defined contribution scheme as the SBB Business does not carry any further obligations, apart from the contribution made on a monthly basis which is recognised as expense in the statement of profit and loss.

· Defined benefit plans – Gratuity, Provident fund and long term service award

Gratuity

The SBB Business has a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to employees who have completed five years or more of service at retirement, disability or termination of employment, being an amount based on the respective employee's last drawn salary and the number of years of employment with the SBB Business. Under the terms of the BTA, only the Company's obligation towards gratuity are being transferred to the Purchaser. Relevant plan assets are being retained by the Company.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on Government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, if any. This cost is included in employee benefit expense in the statement of profit and loss.

The liability or asset recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets, if any. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit and loss in subsequent years. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The SBB Business recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Provident fund

Eligible employees (other than employees of coal mines and straight bar) of the SBB Business receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the SBB Business make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The SBB Business contributes a portion to the 'Usha Martin Employees Provident Fund Trust'. The trust invests in specific designated instruments as prescribed by the Government. The remaining portion is contributed to the Government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The SBB Business has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate. The Actuary carries out actuarial valuation of plan's liabilities and interest rate guarantee obligations as at the balance sheet date using projected unit credit method and deterministic approach as outlined in the guidance note 29 issued by the Institute of Actuaries of India.

Long term service award

Employees of the SBB Business rendering greater than twenty years of service will receive long service award on all causes of exit as per the SBB Business's policy. The

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cost of providing benefits under this plan is determined by actuarial valuation using the projected unit credit method by independent qualified actuaries at the year end. Actuarial gains/losses are immediately taken to the statement of profit and loss.

o. Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are initially measured at fair value and in case of financial assets at amortised cost, net of attributable transaction costs. Transaction costs that are attributable to the acquisition of the financial assets (other than financial assets at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the SBB Business commits to purchase or sell the asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the SBB Business's business model for managing them. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under Ind AS 115.

Subsequent measurement

Financial assets at amortised cost

A financial asset is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from

impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

Derecognition

The SBB Business de-recognises a financial asset only when the contractual rights to the cash flows from the asset expires, or it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity. If the SBB Business neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the SBB Business recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the SBB Business retains substantially all the risks and rewards of ownership of a transferred financial asset, the SBB Business continues to recognise the financial asset and also recognises a borrowing for the proceeds received.

Impairment of financial assets

In accordance with Ind AS 109, the SBB Business applies expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables that result from transactions that are within the scope of Ind AS 115.

The SBB Business follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.

The application of simplified approach does not require the SBB Business to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the SBB Business determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the SBB Business reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

ECL is the difference between all contractual cash flows that are due to the SBB Business in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR.

As a practical expedient, the SBB Business uses historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates to determine impairment loss allowance on portfolio of its trade receivables.

ECL impairment loss allowance (or reversal) recognized during the year is recognized as expense / (income) in the statement of profit and loss. This amount is reflected under the head 'other expenses' / ('other income') in the statement of profit and loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at trade and other payables, loans and borrowings as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (hereinafter referred as EIR) method. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or

the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

p. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

q. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Revenue and expenses are identified to segments on the basis of their relationship to the operating activities of the segment. The analysis of geographical segments is based on the areas in which major operating divisions of the SBB division operate.

r. Use of estimates and critical accounting judgments

The preparation of the Special Purpose Carve-out Financial Statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these Special Purpose Carve-out Financial Statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and future years affected.

Refer note 25 for details.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

(All amounts in Rs lakhs)

	Freehold land [Refer Note (b) and (c) below]	Leasehold land	Mining lease and development	Buildings	Plant and equipment	Railway siding	Electrical installation	Water treatment and supply plant	Office equipment	Furniture and fixture	Vehicles	Total	Capital work-in-progress
Gross block													
As at 31st March, 2017	5,652	148	2,676	19,377	366,512	2,012	52,892	240	369	163	197	450,238	3,605
Additions [Refer note (d)]	68	-	-	546	6,129	-	369	-	74	24	2	7,212	1,668
Disposals	-	-	-	-	685	-	9	-	-	-	5	699	3,042
As at 31st March, 2018	5,720	148	2,676	19,923	371,956	2,012	53,252	240	443	187	194	456,751	2,231
Additions	661	-	-	271	3,846	-	51	-	60	8	30	4,927	1,086
Disposals	-	-	-	-	208	-	-	-	9	4	56	277	830
As at 31st March, 2019	6,381	148	2,676	20,194	375,594	2,012	53,303	240	494	191	168	461,401	2,487
Accumulated Depreciation													
As at 31st March, 2017	-	18	647	5,051	35,707	452	4,711	12	95	48	52	46,793	-
Charge for the year (refer note 23)	-	2	250	2,009	18,999	226	2,332	8	87	22	38	23,973	-
Disposals	-	-	-	-	397	-	2	-	-	-	3	402	-
As at 31st March, 2018	-	20	897	7,060	54,309	678	7,041	20	182	70	87	70,364	-
Charge for the year (refer note 23)	-	2	233	629	19,756	227	2,338	8	87	21	31	23,332	-
Disposals	-	-	-	-	-	-	-	-	5	3	30	38	-
As at 31st March, 2019	-	22	1,130	7,689	74,065	905	9,379	28	264	88	88	93,658	-
Net block													
As at 31st March, 2019	6,381	126	1,546	12,505	301,529	1,107	43,924	212	230	103	80	367,743	2,487
As at 31st March, 2018	5,720	128	1,779	12,863	317,647	1,334	46,211	220	261	117	107	386,387	2,231

- a) Long-term borrowings, short-term borrowings and acceptances (including the amount retained by the Company pursuant to the terms of BTA) are secured by a first pari-passu charge by hypothecation over all the movable property, plant and equipment (present and future) and also a first pari-passu charge by mortgage over land and other immovable properties of the Company (present and future) other than the assets exclusively charged to other lenders.
- b) Freehold land includes three plots of land [Gross Block of Rs. 742 lakhs (31st March, 2018: Rs. 742 lakhs) and Net Block of Rs. 742 lakhs (31st March, 2018: Rs. 742 lakhs)] located at Jamshedpur, in respect of which conveyance deed is yet to be executed.
- c) During the year ended March 31, 2019, the Company had received a demand letter of Rs 5,550 lakhs from Adityapur Industrial Area Development Authority (AIADA) towards charges for past merger, outstanding land rent and land levy for certain parcel of land considering it as a leasehold land which the Company has been holding as freehold land in terms of conveyance deeds dated October 14, 2003.
- In these Special Purpose Carve-out Financial Statements, the above land has been disclosed as freehold only as the Company holds the conveyance deeds executed by State government and mutation in its name and intends to pursue this matter before appropriate authorities based on a legal opinion.
- d) Additions comprise adjustments on account of exchange loss of Rs. Nil (31st March, 2018 : Rs 2,136 lakhs)

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

(All amounts in Rs lakhs)

	Computer software	Mining rights	Total intangible assets
Gross block			
As at 31st March, 2017	1,712	1,389	3,101
Additions	61	-	61
As at 31st March, 2018	1,773	1,389	3,162
Additions	-	-	-
As at 31st March, 2019	1,773	1,389	3,162
Amortisation			
As at 31st March, 2017	137	232	369
Charge for the period (refer note 23)	343	145	488
As at 31st March, 2018	480	377	857
Charge for the year (refer note 23)	355	145	500
As at 31st March, 2019	835	522	1,357
Net book value			
As at 31st March, 2019	938	867	1,805
As at 31st March, 2018	1,293	1,012	2,305

NON-CURRENT ASSETS

5. FINANCIAL ASSETS

(i) Loans

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(Unsecured, considered good unless otherwise stated)		
Loans to employees	-	28

(ii) Other financial assets

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(Unsecured, considered good unless otherwise stated)		
Security deposits	676	739
Interest accrued but not due on deposits	-	133
Total	676	872

Other financial assets are non-derivative financial assets which generate a fixed or variable interest income for the SBB business.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

6. OTHER NON CURRENT ASSETS

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(Unsecured, considered good unless otherwise stated)		
Capital advances		
Considered good	2,238	2,722
Considered doubtful	186	309
Less : Allowance for doubtful capital advances	(186)	(309)
Leasehold land prepayments *	570	624
Prepaid expenses	44	35
Deposit for legal case	-	300
Deposit for fuel surcharge / other electricity matter	-	1,386
Export incentive receivable	-	140
Total	2,852	5,207

*Represents prepayments in respect of land taken under arrangements in the nature of operating leases, being amortised over the period of lease.

CURRENT ASSETS

7. INVENTORIES

(at lower of cost and net realisable value)

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
Raw materials (including packing materials)	5,669	20,277
Goods-in transit	-	243
	5,669	20,520
Work-in-progress	15,912	21,306
Finished goods	3,841	14,478
Goods-in transit	1,285	2,865
	5,126	17,343
Stores and spare parts	2,594	2,836
Goods-in transit	327	589
	2,921	3,425
Loose tools	345	411
Scrap / by-product	788	5,004
Total	30,761	68,009

The value of Finished goods and Scrap recognised as an expense includes Rs. 2,789 lakhs (31st March, 2018: Rs. 968 lakhs) in respect of write-downs to net realisable value and provision for slow moving inventories.

Pursuant to terms of the BTA subject to amendments and substitution vide Supplemental BTA, 50% of the fines value shall be taken into consideration at the time of Closing pertaining to Iron Ore mine and the balance 50% at the time of Closing pertaining to the Beneficiation Land. Provided, however that if the Beneficiation Land closing happens prior to the Iron Ore mine closing, then entire 100% of fines value shall be taken into consideration at the time of Iron Ore Closing. Pending fulfilment of certain conditions precedent as referred in Note 1 with respect to completion of transfer of iron ore mine, inventory of above fines at the year-end have been recognised in these Special Purpose Carve-out Financial Statements.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

8. FINANCIAL ASSETS

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(i) Trade receivables		
(Unsecured unless otherwise stated)		
Trade receivables	16,321	30,011
Trade receivables from related parties (refer note 28A)	5,183	4,004
Total	21,504	34,015
Break-up for security details:		
Trade receivables		
Unsecured, considered good	20,648	31,515
Trade receivables which have significant increase in credit risk	1,000	3,106
Trade receivables - credit impaired	2,089	920
	23,737	35,541
Impairment Allowance (allowance for bad and doubtful debts)		
Trade receivables which have significant increase in credit risk	(144)	(606)
Trade receivables - credit impaired	(2,089)	(920)
Total	21,504	34,015

- (i) No trade or other receivables are due from directors or other officers of the Company for SBB business either severally or jointly with any other person. Nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.
- (ii) Trade receivables are generally on terms of 30 to 90 days.
- (iii) For lien / charge against trade receivables, refer Note 13(i). Below is the details of trade receivables discounted with recourse available to the bank and hence not meeting de-recognition criteria :

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
Transferred receivables	11,595	22,155
Associated borrowings [refer note 13(i)]	11,595	22,155

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(ii) Cash and cash equivalents		
Balances with banks:		
On current accounts	1	3
Remittance in transit	201	
Cash on hand	7	8
Total	209	11

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(iii) Loans		
(Unsecured considered good unless otherwise stated)		
Loans and advances to employees	4	38
Total	4	38

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(iv) Other financial assets		
(Unsecured considered good unless otherwise stated)		
Claims / advances receivable	-	447

9. OTHER CURRENT ASSETS

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(Unsecured considered good unless otherwise stated)		
Advances to suppliers *		
Considered good	329	3,664
Considered doubtful	1,322	916
Less: Allowance for doubtful advances	(1,322)	(916)
Balance with statutory / Government authorities	1	1,963
Export incentive receivables	-	292
Prepaid expenses	397	986
Leasehold land prepayments **	28	28
Total	755	6,933

* Represents the amount paid towards purchase of goods and are non-interest bearing.

**Represents prepayments in respect of land taken under arrangements in the nature of operating leases, being amortised over the period of lease.

Long-term borrowing, short-term borrowings and acceptances of the Company (including the amount retained by the Company pursuant to the terms of BTA) are secured by a second charge on entire current assets of the Company (present and future), pari-passu with other term lenders.

EQUITY

10. CAPITAL

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
Capital	232,106	281,646

(Represents the difference between the assets and liabilities of the SBB business being net asset value)

Basis above, other detailed disclosures in respect of Share Capital and Other Equity are not applicable and has not been disclosed in these Special Purpose Carve-out Financial Statements.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

NON - CURRENT LIABILITIES

11. PROVISIONS

(All amounts in Rs. lakhs)		
	As at 31st March, 2019	As at 31st March, 2018
Provision for employee benefits		
Gratuity (refer note 27)	2,152	906
Long service award (refer note 27)	40	30
Others		
Provision for site restoration and rehabilitation	-	1,926
Total	2,192	2,862

(All amounts in Rs. lakhs)	
	As at 31st March, 2018
Site restoration and rehabilitation	
Opening balance	1,739
Add: Unwinding of discount (refer note 22)	187
Closing balance	1,926

12. GOVERNMENT GRANTS

(All amounts in Rs. lakhs)		
	As at 31st March, 2019	As at 31st March, 2018
Grants relating to property, plant and equipment*	2,820	3,151

* Represents Government assistance in the form of the duty benefit availed under Export Promotion Capital Goods (EPCG) Scheme on purchase of property, plant and equipment accounted for as Government grant. Had the Company continued to recognise income from government grants on the basis of achievement of export commitments, other income have been higher by Rs. 1,264 lakhs and loss for the year would have been lower by Rs 1,264 lakhs.

CURRENT LIABILITIES

13. FINANCIAL LIABILITIES

(All amounts in Rs. lakhs)		
	As at 31st March, 2019	As at 31st March, 2018
(i) Borrowings		
Secured		
Buyer's credit including acceptances from banks *	-	6,676
Unsecured		
Indian rupee bill discounting #	11,595	22,155
Total	11,595	28,831

* These are secured by hypothecation of all current assets of the Company. Further such acceptances are also secured by charge on certain immovable properties, subject to prior charges in favour of financial institutions and banks created/to be created in respect of any existing/future financial assistance/accommodation which has been/may be obtained by the Company for SBB Business. Import buyer's credit carries interest @ 1/2/3/6 months LIBOR plus 25 bps p.a. to 100 bps p.a. and acceptance carry interest @ 8% to 9% p.a. Such buyer's credit and acceptances from banks are repayable within 180 days.

Represents trade receivables discounted with recourse to the Company. Accordingly, the monies received on this account are disclosed as borrowings as the trade receivable do not meet de-recognition criteria. These bills are discounted @ 8% to 10% p.a. and are repayable within 180 days.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

Changes in liabilities arising from financing activities

Particulars	(All amounts in Rs lakhs)				
	1st April 2018	Cash flows	Loss for the year	Others	31st March 2019
Indian Rupee bill discounting	22,155	(10,560)	-	-	11,595
Buyer's credit including acceptances from banks	6,676	(6,676)	-	-	-
Changes in Capital	281,646	(15,125)	(33,968)	(447)	232,106
Total liabilities from financing activities	310,477	(32,361)	(33,968)	(447)	243,701

Changes in liabilities arising from financing activities

Particulars	(All amounts in Rs lakhs)				
	1st April 2017	Cash flows	Loss for the year	Others	31st March 2018
Indian Rupee bill discounting	17,691	4,464	-	-	22,155
Buyer's credit including acceptances from banks	12,437	(5,761)	-	-	6,676
Changes in Capital	341,065	(19,051)	(40,368)	-	281,646
Total liabilities from financing activities	371,194	(20,348)	(40,368)	-	310,477

	(All amounts in Rs. lakhs)	
	As at 31st March, 2019	As at 31st March, 2018
(ii) Trade payables		
Total outstanding dues of micro enterprises and small enterprises (refer note 31)	2,048	1,429
Total outstanding dues of creditors other than micro enterprises and small enterprises	51,544	57,158
Acceptances [Refer note (b) below]	97,778	99,728
	149,322	156,886
Total	151,370	158,315

(a) Trade payables are normally settled upto 365 day terms.

(b) Import acceptances carry interest @ applicable LIBOR plus 25 bps p.a. to 100 bps p.a and inland acceptances carry interest @ 8% to 9% p.a. Such acceptances are repayable not later than 180 days. These are secured by hypothecation of all current assets of the Company. Further such acceptances are also secured by charge on certain immovable properties, subject to prior charges in favour of financial institutions and banks created/to be created in respect of any existing/future financial assistance/accommodation which has been/may be obtained by the Company for SBB business.

Long-term borrowing, short-term borrowings and acceptances of the Company (including the amount retained by the Company pursuant to the terms of BTA) are secured against pledge of promoter's holding to the extent of 26% equity in the Company on pari-passu basis.

(c) Refer note 30B for explanations on the Company's liquidity risk management processes for SBB business.

	(All amounts in Rs. lakhs)	
	As at 31st March, 2019	As at 31st March, 2018
(iii) Other financial liabilities		
Interest accrued on trade payables and others	3,404	2,011
Liability towards project vendors	442	401
Employees benefits payable @	2,792	1,543
Total	6,638	4,675

@ Includes payable to Usha Martin Employees provident Fund Trust Rs 206 lakhs (31st March, 2018: Rs 19 lakhs) [refer note 28A].

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

14. OTHER CURRENT LIABILITIES

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
Contract liabilities *	2,334	7,715
Statutory dues payable #	17,948	16,459
Other liabilities ##	-	2,226
Total	20,282	26,400

* Contract liabilities are short-term advances received towards sale of goods and are non-interest bearing.

Statutory dues primarily includes payable in respect of Goods and Services Tax (GST), royalties, tax deducted at source, etc. and interest thereon.

represent liability towards renewable power obligation

15. PROVISIONS

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
Provision for employee benefits		
Gratuity (refer note 27)	128	102
Leave encashment	759	495
Long service award (refer note 27)	3	5
Site restoration cost	793	-
Total	1,683	602

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
Site restoration and rehabilitation		
Opening balance	1,926	-
Less: Provision amount adjusted during the year	(1,133)	-
Closing balance	793	-

Site restoration and rehabilitation

Provision for site restoration and rehabilitation is held for the purpose of meeting site restoration obligation pursuant to Rule 23 under Mineral Conservation and Development (Amendment Rules, 2003) read with Section 18 of the Mines and Minerals (Development and Regulation) Act, 1957.

16. GOVERNMENT GRANTS

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
Grants relating to property, plant and equipment	110	-

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

17. REVENUE FROM CONTRACT WITH CUSTOMERS

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Sale of goods	386,028	335,739
Other operating revenue:		
Product scrap sales	8,172	8,887
Total	394,200	344,627

Revenue from operations for periods up to 30th June, 2017 includes excise duty. From 1st July, 2017 onwards, the excise duty and most indirect taxes have been replaced by Goods and Service Tax (GST). The SBB Business collects GST on behalf of Government Hence, GST is not included in revenue from contracts with customer.

Sale of goods includes excise duty collected from customers of Rs. 9,872 lakhs for the year ended March 31, 2018. Sale of goods net of excise duty is Rs. 3,25,866 lakhs for the said year.

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Revenue by geographical area		
India	384,854	335,487
Outside India	9,346	9,140
Total revenue from contract with customers	394,200	344,627
Contract balances		
Trade receivables	21,504	34,015
Contract liabilities	2,334	7,715

Contract liability is the entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer in advance. Contract liabilities are recognized as and when the performance obligation is satisfied.

(All amounts in Rs. lakhs)

	31st March, 2019	31st March, 2018
Set out below is the amount of revenue recognised from:		
Amounts included in contract liabilities at the beginning of the year	7,715	3,714

(All amounts in Rs. lakhs)

Particulars	Year ended 31st March, 2019	Year ended 31st March, 2018
Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price		
Revenue as per contracted price	397,741	347,867
Adjustments:		
Credit notes issued for Quantity discounts	(2,251)	(2,463)
Cash discount	(1,290)	(777)
Revenue from contracts with customers	394,200	344,627

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

18. OTHER INCOME

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Miscellaneous scrap sales	425	177
Export incentives	174	335
Gain on derivative contracts (net)	-	1,694
Exchange differences (net)	38	-
Liabilities no longer required written back	4,342	1,084
Allowance for doubtful debts and advances no longer required written back	980	-
Claims received	127	215
Net gain on disposal of property, plant and equipment	235	-
Other non-operating income	265	2
Interest income on financial assets carried at amortised cost	125	36
Total	6,711	3,543

19. COST OF MATERIALS CONSUMED

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Opening stock	20,520	15,437
Add: Purchases	179,012	172,991
	199,532	188,428
Less: Closing stock	5,669	20,520
Less: Adjustment on account of BTA [refer note 2(A)(a)(iii)]	-	5
Cost of materials consumed *	193,863	167,903

* Cost of materials consumed includes packing materials amounting to Rs 13 lakhs (March 31, 2018 : Rs 62 lakhs)

20. (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND SCRAP/BY-PRODUCT

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
(A) Finished goods		
Opening stock	17,343	34,638
Less : Closing stock	5,126	17,343
Less: Adjustment on account of BTA [refer note 2(A)(a)(iii)]	(325)	(73)
	12,542	17,368
(B) Work-in-progress		
Opening stock	21,306	19,532
Less : Closing stock	15,912	21,306
Add: Adjustment on account of BTA [refer note 2(A)(a)(iii)]	1,128	650
	6,522	(1,124)
(C) Scrap/by-product		
Opening stock	5,004	4,817
Less : Closing stock	788	5,004
Less: Adjustment on account of BTA [refer note 2(A)(a)(iii)]	(3)	(8)
	4,219	(179)
Net (increase) / decrease in inventories [(A) + (B) + (C)]	23,283	16,065

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

21. EMPLOYEE BENEFITS EXPENSE

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Salaries, wages and bonus	13,440	11,730
Contribution to provident and other funds	900	780
Gratuity expense (refer note 27)	260	112
Staff welfare expenses	895	742
Total	15,495	13,364

22. FINANCE COSTS

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Interest expense on financial liabilities measured at amortised cost	46,534	46,714
Unwinding of discount (refer note 11)	-	187
Total interest expenses	46,534	46,901
Other borrowing costs*	2,481	2,549
Total	49,015	49,450

* represents letter of credit opening and retirement charges

23. DEPRECIATION AND AMORTISATION EXPENSES

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Depreciation of property, plant and equipment (refer note 3)	23,332	23,973
Amortization of intangible assets (refer note 4)	500	488
Total	23,832	24,461

24. OTHER EXPENSES

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Consumption of stores and spares / loose tools	29,778	28,339
Power and fuel [refer note (i) below]	30,422	23,139
Material handling charges	21,930	17,633
Freight and forwarding charges	9,666	9,910
Royalty	8,677	6,179
Operations and maintenance :		
Plant and machinery	11,647	8,616
Buildings	1,681	1,786
Processing charges	5,083	6,207
Allowance for doubtful debts and advances	3,205	1,860
Travelling and conveyance	932	313

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Consultants and professional fees	1,319	1,134
Exchange differences (net)	-	1,196
Insurance	552	580
Rent and hire charges	375	333
Net loss on disposal of property, plant and equipment	-	187
Rates and taxes	1,001	253
Leasehold prepayments amortisation	42	28
Remuneration to auditors [refer note (ii) below]	51	52
Directors' sitting fees	41	34
Property, plant & equipment/Capital Work-in-process written off	3	127
Bad Debts / advances written off	196	465
Excise Duty on increase/(decrease) in inventories	-	(4,944)
Miscellaneous expenses	2,790	3,996
Total	129,391	107,423

(i) The following expenses are included in Power and fuel expenses in the Special Purpose Carve-out financial statement of Profit and Loss:

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Consumption of stores and spares / loose tools	378	324
Material handling charges	384	540
Operations and maintenance: plant and machinery	561	499
Operations and maintenance: buildings	-	6
Miscellaneous expenses	404	384
Total	1,727	1,753

(ii) Detailed disclosures in respect of remuneration to auditors is not provided in these Special Purpose Carve-out Financial Statements since these are determined for the Company as a whole.

25. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Special Purpose Carve-out Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts and the disclosures. The SBB Business based its assumptions and estimates on parameters available when the Special Purpose Carve-out Financial Statements were prepared and these are reviewed at each reporting period end. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the reported amounts and disclosures.

Judgements

In the process of applying the SBB Business's accounting policies, management has made the following judgements, which have

the most significant effect on the amounts recognised in the Special Purpose Carve-out Financial Statements:

(i) Revenue from contracts with customers

The SBB Business applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The SBB Business applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

1. Shipping and insurance terms (export and domestic)

The product sold by SBB Business are standard products, which have different grades and the products are homogenous in nature. The products supplied have standard dimensions and weight and there are no significant customisations, which will make customer

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

acceptance a critical approval. Further considering that there are not significant delivery damages as well during transportation that requires replacement of products, for all products customer acceptance is not a substantive clause.

SBB Business has the following types of shipping terms -

CFR (Freight prepaid)

- Title, legal ownership of and risk of loss or damage, passes from the seller to the buyer when the bill of lading is received as per the incoterms.
- Freight is identified as a separate service as risk/control of goods is transferred at the loading port from the seller to the buyer. Therefore, freight is not considered cost of fulfilment.
- SBB Business acts as a principal in providing freight services. Therefore the revenue from such services is recognized once the obligation is satisfied, i.e., once the goods are delivered to the premises of the buyer.

CIF (Insurance and freight prepaid)

- Carriage and insurance is identified and arranged by SBB Business.
- Title and legal ownership of goods passes from the seller to the buyer when the bill of lading is received as per the Incoterms.
- Freight and insurance is identified as a separate service as risk (i.e. control) is transferring at the loading port. Therefore, insurance and freight are not considered cost of fulfilment.
- SBB Business acts as a principal in providing Clearing & Forwarding and insurance services. Therefore the revenue from such services is recognized once the obligation is satisfied, i.e., once the goods are delivered to the premises of the buyer.

EXW/FOB (ex-works)/(Free on Board)

- Primary obligation of selling goods to the buyer is of SBB Business.
- Revenue for sale of goods is recognised on dispatch from the seller's premises as control of the goods is transferred (for FOB – control of the goods is transferred on receipt of bill of lading).

FOR (Free on Road)

- Primary obligation of selling goods and delivering the said goods to the buyer's premises is of SBB Business.
- Freight and insurance is not identified as a separate service as risk/control of goods is transferred once

the goods are delivered at the buyer's premises. Therefore, freight and insurance is considered as cost of fulfilment.

- SBB Business acts as a principal in providing freight and insurance services. Therefore the revenue from such services is recognized once the obligation is satisfied, i.e., once the goods are delivered to the premises of the buyer.

2. Sale of goods with variable consideration

An amount of consideration can vary because of discounts, rebates, refunds, returns, rejections, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. Variable consideration can result from explicit terms in a contract to which the parties to the contract agreed or can be implied by an entity's past business practices or intentions under the contract.

In many transactions, SBB Business have variable consideration as a result of discounts on the price of products they provide to customers once the customers meet specific volume thresholds like the annual Turnover discount, volume discount, cash discounts or special discounts.

Under Ind AS 115, discounts is accrued each month/quarter on the basis of actual sales made to the customer/dealers. For annual turnover discounts, the SBB Business estimates such variable consideration (eligible discounts) using expected value method based on expectation and past trends. The expected value method estimates variable consideration based on the range of possible outcomes and the probabilities of each outcome. The SBB Business considers all the information (historical, current and forecast) that is reasonable available to the SBB Business and identify a reasonable number of possible amounts.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The SBB Business based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the SBB Business. Such changes are reflected in the assumptions when they occur.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(ii) Useful economic lives of property, plant and equipment and impairment of non-financial assets

Property, plant and equipment are depreciated over their useful economic lives. Management reviews the useful economic lives at least once a year and any changes could affect the depreciation rates prospectively and hence the asset carrying values. The SBB business also reviews its property, plant and equipment, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. In assessing the property, plant and equipment for impairment, factors leading to significant reduction in profits such as changes in commodity prices, the SBB business's business plans and changes in regulatory environment are taken into consideration.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The carrying value of the assets of a cash generating unit (CGU) is compared with the recoverable amount of those assets, that is, the higher of fair value less costs of disposal and value in use. Recoverable value is based on the management estimates of commodity prices, market demand and supply, economic and regulatory climates, long-term plan, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact the carrying value of the assets.

(iii) Provisions and contingencies

The assessments undertaken in recognising provisions and contingencies have been made in accordance with the applicable Ind AS.

A provision is recognized if, as a result of a past event, the SBB business undertaking has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. The SBB Business has capital commitments in relation to various capital projects which are not recognized on the balance sheet. In the normal course of business, contingent liabilities may arise from litigation and other claims against the SBB Business. Guarantees are also provided in the normal course of business. There are certain obligations which management has concluded, based on all available facts and circumstances,

are not probable of payment and such obligations are treated as contingent liabilities and disclosed in the notes but are not reflected as liabilities in the Special Purpose Carve-out Financial Statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the SBB business undertaking is involved, it is not expected that such contingencies will have a material effect on its financial position or profitability.

(iv) Provisions for site restoration and rehabilitation

In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to restore and rehabilitate the site and the expected timing of those costs. The SBB business undertaking estimates that the costs would be incurred upon the expiration of the lease and calculates the provision using the DCF method.

The iron ore mines is being governed by Mineral Conservation and Development Rules, 1988 (MCDR), which requires final mines closure plan to be submitted before two years from the date of intended closure. The mining lease operation is valid up to the year 2055 and accordingly, final mining closure plan is required to be submitted in the year 2053 or any earlier date when mine is intended to be closed due to any reason in future, which is not visible currently.

MCDR requires mining plan to be approved for every 5 years which consists of progressive mine closure plan which is being reviewed for implementation at every occasion of approval in 5 years and devised for next 5 years. As such, in case of iron ore mine there will be no incremental activities required at the stage of final mine closure plan beyond the activities of progressive mine closure plan.

(v) Defined benefit plans

The cost and the present value of the defined benefit gratuity plan and long term service award are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans, the management considers the interest rates of Government bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality table. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(vi) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Pursuant to the requirement of paragraph 32 and 33 of the Guidance note on Combined and Carve-Out Financial Statements issued by the Institute of Chartered Accountants of India, tax expenses has been determined for the SBB business as if the carve-out business is a separate taxable entity. For the purpose of these Special Purpose Carve-out Financial Statements, deferred tax assets on brought forward business losses and unabsorbed depreciation have been limited to the extent of deferred tax liabilities, in view of uncertainty of recovery of such assets by the Purchaser.

(vii) Valuation of inventories

The SBB Business follows suitable provisioning norms for writing down the value of slow-moving, non-moving and surplus inventory. This involves various judgements and assumptions that may differ from actual developments in the future.

(viii) Basis for allocation, other critical assumptions and estimates involved in preparation of these Special Purpose Carve-out Financial Statements

Refer note 2 (A) (a) - Basis of preparation of Special Purpose Carve-out Financial Statements.

26. COMMITMENTS AND CONTINGENCIES

A Leases

Operating lease commitments — SBB Business as lessee

The SBB Business has two non-cancellable operating lease agreements, in connection with establishment and operation of plants, by the lessor, for production of gaseous oxygen to cater to the SBB Business's Steel Plant at Jamshedpur. One of such agreements became operative in 2001-02 (Lease A) and the other one has become operative in 2005-06 (Lease B). Both these lease agreements shall stand automatically extended for a further period up to 31st March 2032 and either party shall be entitled to terminate the agreement, at anytime after 31st March, 2027. The SBB Business pays minimum lease rent and fixed, as well as, variable operating and maintenance charges for both the leases. There are no subleases and contingent rent in the lease arrangements.

Future minimum rentals payable under all non-cancellable operating leases are as follows:

Lease rent

	(All amounts in Rs. lakhs)	
	As at 31st March, 2019	As at 31st March, 2018
Within one year	1,169	1,213
After one year but not more than five years	3,876	3,935
More than five years	7,560	8,670

Operation and maintenance charges

	(All amounts in Rs. lakhs)	
	As at 31st March, 2019	As at 31st March, 2018
Within one year	316	350
After one year but not more than five years	1,345	1,271
More than five years	2,654	3,043

The above amounts are exclusive of taxes and duties. The SBB Business has charged the following amount in the statement of profit and loss on account of the aforesaid leases.

STEEL AND BRIGHT BAR BUSINESS OF USHA MARTIN LIMITED

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Lease rent	1,213	1,490
Operation and maintenance charges	350	391
Escalation charges and taxes	207	370
Total *	1,770	2,251

* Rs. 1,663 lakhs (31st March, 2018 : Rs 2,086 lakhs) and Rs. 107 lakhs (31st March, 2018 : Rs 165 lakhs) are booked under consumption of stores and spares / loose tools and Rent and hire charges respectively.

The SBB Business has entered into cancellable operating lease arrangements for another gaseous oxygen plant, accommodation for office spaces etc. Tenure of leases generally vary between 1 and 10 years. There are no subleases and contingent rent in the lease arrangements. Terms of the lease include operating term for renewal, increase in rent in future periods and term of cancellation. Related lease rentals aggregating Rs. 310 lakhs (31st March, 2018 : Rs 196 lakhs) have been debited to the Special Purpose Carve-out Statement of Profit and Loss in rent and hire charges.

B Commitments

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
(i) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	613	485
(ii) Other commitments		
(a) Export obligations against the import licenses taken for import of capital goods under the Export Promotion Capital Goods Scheme. If the Company is unable to meet these obligations pertaining to SBB business, its liability would be Rs. 1,980 lakhs (31st March, 2018 : Rs 3,482 lakhs), excluding interest thereon, which will reduce in proportion to actual exports. The Company is reasonably certain to meet its export obligations, hence it does not anticipate any financial impact resulting from these obligations.	114,882	229,144
(b) Long-term supply agreement for a period of fifty-nine months for supply of high-carbon and other grades of wire rods and for a period of two years for commercial grade wire rods from the Purchaser to the Company. Also refer note 28B.		
(iii) Bank guarantees		
The Company for SBB business has given bank guarantees details of which are as below:		
(a) in favour of the nominated authority, New Delhi against the allocation of Brinda and Sasai coal block	13,371	13,371
(b) in favour of the regional controller of mines against the progressive mines closure plan	189	189
(c) in favour of various parties against various contracts	1,044	1,247
The Company has assessed that it is only possible, but not probable, that outflow of economic resources will be required by SBB business.		

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

C Contingent liabilities [to be read with note 2 (A) (a) (xi)]

Claims against the Company for SBB business not acknowledged as debt *

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Outstanding labour disputes	13	29
Demand for fuel surcharge matter and delayed payment surcharge pending with appropriate authority	4,190	12,557
Electricity demand on account of low power factor pending with appropriate authority	-	4,715
Demand for mining matter is pending with appropriate authority #	1,862	4,784
Demand for GST matter	443	-

Pending necessary clarification, the Company has complied with the order of the Hon'ble Supreme Court of India regarding applicability of Employees' Provident Funds & Miscellaneous Provisions Act, 1952 to certain fixed elements of remuneration paid/payable to employees with effect from the date of such order, i.e., February 28, 2019. Any additional provision in respect of earlier periods will be recognised as and when further clarifications will be available.

Net of deposit of Rs. 1,000 lakhs (31st March, 2018 : Rs 300 lakhs) paid by the Company within March, 2019. Subsequent to the year, the Company has deposited Rs 900 lakhs by April 24, 2019.

* Future cash outflows in respect of the above matters are determinable only on receipt of judgments/decisions pending at various forums/authorities. Based on discussions with the solicitors/favourable decisions in similar cases/legal opinions taken by the Company for SBB business, the management of the Company believes that it has a good chance of success in above mentioned matters and hence no provision there against is considered necessary for SBB business.

27. POST EMPLOYMENT DEFINED CONTRIBUTION PLANS AND POST EMPLOYMENT DEFINED BENEFIT PLANS

[TO BE READ WITH NOTE 2 (A)(a)(vi)(d)]

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
(a) Post employment defined contribution plans		
Amount recognised in the statement of profit and loss		
(i) Provident fund paid to the authorities *	4	12
(ii) Pension fund paid to the authorities	287	280
(iii) Superannuation fund - contribution payable / paid to a Trust	282	237
	573	529

* Contribution towards Provident Fund for certain employees of SBB business is made to the regulatory authorities. Such provident fund benefit is classified as defined contribution scheme as the SBB Business does not carry any further obligations, apart from the contribution made on a monthly basis which is recognised as expense in the special purpose carve-out statement of profit and loss, as indicated above.

(b) Post employment defined benefit plans

I. Gratuity plan

The Company has a defined benefit gratuity plan for the employees of SBB business. Every employee who has completed five years or more of service is entitled to gratuity on terms not less favourable than the provisions of The Payment of Gratuity Act, 1972. Under the terms of the BTA, only the Company's obligation towards gratuity are being transferred to the Purchaser. Relevant plan assets are being retained by the Company.

II. Long term service award

Employees of the SBB Business rendering greater than twenty years of service will receive long service award on all causes of exit as per the Company's policy. The cost of providing benefits under this plan is determined by actuarial valuation using the projected unit credit method by independent qualified actuaries at the period end.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

The following tables summarise the components of net benefit expense recognised in the special purpose carve-out statement of profit and loss and the funded status and amounts recognised in the Special Purpose Carve-out Balance Sheet for the above defined benefit plans:

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019		Year ended 31st March, 2018	
	Gratuity	Long term service award	Gratuity	Long term service award
A Expenses recognised in the statement of profit and loss				
1 Current / past service cost	133	4	50	26
2 Net Interest cost	127	2	62	(26)
3 Total (i)	260	6	112	-
Expenses recognised in other comprehensive income				
4 Remeasurement (gains)/losses on defined benefit plans				
Arising from changes in experience adjustments	436	20	3	-
Arising from changes in financial assumptions	43	1	(27)	-
5 Total (ii)	479	21	(24)	-
6 Total expense (i)+(ii)	739	27	88	-

(All amounts in Rs. lakhs)

	As at 31st March, 2019		As at 31st March, 2018	
	Gratuity	Long term service award	Gratuity	Long term service award
B Net asset / (liability) recognised in the in the Special Purpose Carve-out Balance Sheet				
1 Present value of defined benefit obligation	2,280	43	1,008	35
2 Fair value of plan assets	-	-	-	-
3 Net asset / (liability)	(2,280)	(43)	(1,008)	(35)

(All amounts in Rs. lakhs)

	As at 31st March, 2019		As at 31st March, 2018	
	Gratuity	Long term service award	Gratuity	Long term service award
C Change in the present value of the defined benefit obligation during the year				
1 Present value of defined benefit obligation at the beginning of the year	1,810	35	1,808	36
2 Current service cost /plan ammendments	133	4	50	26
3 Interest cost	127	2	130	(26)
4 Benefits paid	(265)	(19)	(154)	(1)
5 Remeasurement (gains)/losses	475	21	(24)	-
6 Present value of defined benefit obligation at the end of the year	2,280	43	1,810	35
7 Plan assets	-	-	(802)	-
8 Net liability at the end of the year	2,280	43	1,008	35

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(All amounts in Rs. lakhs)

	As at 31st March, 2019		As at 31st March, 2018	
	Gratuity	Long term service award	Gratuity	Long term service award
D Actuarial assumptions				
1 Discount rate	7.50%	7.50%	7.70%	7.70%
2 Mortality pre retirement	IALM 2006-2008	IALM 2006-2008	IALM 2006-2008	IALM 2006-2008
3 Mortality post retirement	LIC(1996-98) Ultimate	NA	LIC(1996-98) Ultimate	NA
4 Employee turnover rate	1%	1%	1%	1%

E The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(All amounts in Rs. lakhs)

	Gratuity		Long term service award	
	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2019	As at 31st March, 2018
F Maturity profile of the defined benefit obligation (undiscounted amount)				
Expected benefit payments for the year ending				
Not later than 1 year	138	389	4	7
Later than 1 year and not later than 5 years	848	1,150	20	20
Later than 5 year and not later than 10 years	1,238	1,424	17	19
More than 10 years	15,165	4,562	225	19
Total expected payments	17,389	7,525	266	65

The weighted average duration of the defined benefit obligation as at 31st March, 2019 is 10 years (31st March, 2018 : 17 years)

G Sensitivity analysis

The basis of various assumptions used in actuarial valuations and their quantitative sensitivity analysis is as shown below:

(All amounts in Rs. lakhs)

Increase/ (decrease) in defined benefit obligation	As at 31st March, 2019		As at 31st March, 2018	
	Gratuity	Long term service award	Gratuity	Long term service award
Discount rate				
Increase by 1%	(202)	(3)	-	-
Decrease by 1%	239	4	-	-
Increase by 0.5%	-	-	(45)	(1)
Decrease by 0.5%	-	-	48	1

(All amounts in Rs. lakhs)

Expected rate of increase in compensation level of covered employees	As at 31st March, 2019		As at 31st March, 2018	
	Gratuity	Long term service award	Gratuity	Long term service award
Increase by 1%	239	-	-	-
Decrease by 1%	(206)	-	-	-
Increase by 0.5%	-	-	21	1
Decrease by 0.5%	-	-	(23)	(1)

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

The above sensitivity analysis may not be representative of the actual 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.

In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the project unit credit method at the end of reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the special purpose carve-out balance sheet.

H Risk analysis

The Company is exposed to a number of risks in the defined benefit plans for the employees of SBB business. Most significant risks pertaining to defined benefit plans and management's estimation of the impact of these risks are as follows:

(i) Interest risk

A decrease in the interest rate on plan assets will increase the plan liability.

(ii) Longevity risk/Life expectancy

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 at the end of the employment. An increase in the life expectancy of the plan participants will increase the plan liability.

(iii) Salary growth risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.

(iv) Investment risk

The Gratuity plan is funded with Life Insurance Corporation of India (LIC). The SBB Business does not have any liberty to manage the fund provided to LIC. The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government of

India bonds. If the return on plan asset is below this rate, it will create a plan deficit.

III Provident Fund

Provident Fund contributions in respect of employees [other than those covered in (a) above] are made to Trusts administered by the Company for the employees of SBB business and such Trusts invest funds following a pattern of investments prescribed by the Government. Both the employer and the employees contribute to this Fund and such contributions together with interest accumulated thereon are payable to employees at the time of their separation from the SBB business or retirement, whichever is earlier. The benefit vests immediately on rendering of services by the employee. The interest rate payable to the members of the Trusts is not lower than the rate of interest declared annually by the Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, on account of interest is to be made good by the SBB business. In terms of the guidance on implementing Indian Accounting Standard 19 on Employee Benefits, a provident fund set up by the Company for the employees of SBB business is treated as a defined benefit plan in view of the SBB business's obligation to meet interest shortfall, if any.

The Actuary has carried out actuarial valuation of plan's liabilities and interest rate guarantee obligations as at the balance sheet date using projected unit credit method and deterministic approach as outlined in the guidance note 29 issued by the Institute of Actuaries of India. Based on such valuation, there is no future anticipated shortfall with regard to interest rate obligation of the SBB business as at the balance sheet date. Further during the period, the Company's contribution for the employees of SBB business of Rs. 327 lakhs (31st March, 2018: Rs 251 lakhs) to the Provident Fund Trust, has been expensed under "Contribution to Provident and Other Funds". Disclosures given hereunder are restricted to the information available as per the Actuary's report.

Principal actuarial assumptions

Principal actuarial assumptions used to determine the present value of the defined benefit obligation are as follows:

	(All amounts in Rs. lakhs)	
	As at 31st March, 2019	As at 31st March, 2018
Discount Rate	7.50%	7.70%
Expected rate of increase in compensation level of covered employees	5.00%	5.00%
In service mortality	IALM (2006-08)	IALM (2006-08)
Post retirement mortality	LIC(1996-98)	LIC(1996-98)
	Ultimate	Ultimate
EPFO Return	8.55%	8.65%

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

28A. RELATED PARTY DISCLOSURES

(i) Related parties

(a) Entities controlled by the Company	<p>Usha Martin International Limited (UMIL) Usha Martin UK Limited (UMUK) @ European Management and Marine Corporation Limited (EMMC) @ Brunton Shaw UK Limited (BSUK) @ De Ruiter Staalkabel B.V. (De Ruiter) @ Usha Martin Europe B.V. (UMEBV) @ Usha Martin Italia S.R.L. (UMISRL) @ Usha Martin Singapore Pte. Limited (UMSPL) Usha Martin Vietnam Co. Limited (UMVCL) @ Usha Martin Australia Pty Limited (UMAUS) @ P.T. Usha Martin Indonesia (PTUMI) @ Usha Martin China Company Limited (UMCCL) @ Usha Martin Americas Inc. (UMAI) Usha Siam Steel Industries Public Company Limited (USSIL)* Brunton Wolf Wire Ropes FZCO. (BWWR) UM Cables Limited (UMCL)* Usha Martin Power and Resources Limited (UMPRL) Bharat Minex Private Limited (BMPL) Gustav Wolf Speciality Cords Limited (GWSCL)</p>
(b) Entities jointly controlled by the Company	<p>Pengg Usha Martin Wires Private Limited (PUMWPL)* CCL Usha Martin Stressing Systems Limited (CCLUMSSL) Tesac Usha Wire Rope Company Limited (TUWCL)#</p>
(c) Key management personnel of the Company	<p>Mr. Basant Kumar Jhawar, Chairman Emeritus (upto 31st March, 2019) Mr. G.N.Bajpai, Chairman (upto 31st March, 2019) Mr. Brij K Jhawar, Director Mr. Prashant Jhawar, Director (Chairman till 25th April, 2017) Mr. Salil Singhal, Director Mr. Jitendra Balakrishnan, Director Mr. P.S.Bhattacharya, Director Mr. M. Rohatgi, Director Ms. A. Ramakrishnan, Director (upto 9th January, 2019) Mr. V. Ramakrishna Iyer, Director Mr. Rajeev Jhawar, Managing Director Mr. P.K.Jain, Joint Managing Director (Wire and Wire Rope Business) Mr. Rohit Nanda, Chief Financial Officer (upto 10th April, 2019) Mr. Anirban Sanyal, Chief Financial Officer (with effect from 10th April, 2019) Ms. Shampa Ghosh Ray, Company Secretary</p>
(d) Substantial interest in the voting power of the entity by the Company	<p>UMI Special Steel Limited (UMISSL) (under liquidation)</p>
(e) Others	<p>Usha Martin Employee Provident Fund Trust</p>

@ Represents step-down subsidiaries

Represents step-down jointly controlled entity

* Represents entities having transactions with SBB business during the year.

STEEL AND BRIGHT BAR BUSINESS OF USHA MARTIN LIMITED

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(ii) Particulars of transactions of related parties with SBB business for the year ended 31st March, 2019

(All amounts in Rs. lakhs)

Name and relationship		Transactions during the year					Company's contribution to related party trust for SBB business
		Sale of products and services	Brokerage and discount on sale of products	Interest Expenses/ (Income) (Net)	Key management personnel remuneration	Directors' sitting fees	
Entities controlled by the Company							
USSIL	31st March, 2019	8,367	21	-	-	-	-
	31st March, 2018	5,771	15	-	-	-	-
UMCL	31st March, 2019	-	-	189	-	-	-
	31st March, 2018	-	-	(59)	-	-	-
Total	31st March, 2019	8,367	21	189	-	-	-
	31st March, 2018	5,771	15	(59)	-	-	-
Entities jointly controlled by the Company							
PUMWPL	31st March, 2019	4,099	-	-	-	-	-
	31st March, 2018	4,071	-	-	-	-	-
Total	31st March, 2019	4,099	-	-	-	-	-
	31st March, 2018	4,071	-	-	-	-	-
Key management personnel							
Mr. Rajeev Jhawar*	31st March, 2019	-	-	-	105	-	-
	31st March, 2018	-	-	-	83	-	-
Mr. Brij K Jhawar	31st March, 2019	-	-	-	-	2	-
	31st March, 2018	-	-	-	-	2	-
Mr. P. K. Jain*	31st March, 2019	-	-	-	106	-	-
	31st March, 2018	-	-	-	95	-	-
Mr. Rohit Nanda*	31st March, 2019	-	-	-	110	-	-
	31st March, 2018	-	-	-	77	-	-
Ms. Shampa Ghosh Ray*	31st March, 2019	-	-	-	23	-	-
	31st March, 2018	-	-	-	13	-	-
Mr. Basant Kumar Jhawar	31st March, 2019	-	-	-	-	2	-
	31st March, 2018	-	-	-	-	1	-
Mr. Prasant Jhawar	31st March, 2019	-	-	-	-	2	-
	31st March, 2018	-	-	-	-	1	-
Mr. Jitendra Balakrishnan	31st March, 2019	-	-	-	-	7	-
	31st March, 2018	-	-	-	-	6	-
Mr. G.N.Bajpai	31st March, 2019	-	-	-	-	9	-
	31st March, 2018	-	-	-	-	7	-
Mr. Salil Singhal	31st March, 2019	-	-	-	-	6	-
	31st March, 2018	-	-	-	-	4	-
Mr. P.S.Bhattacharya	31st March, 2019	-	-	-	-	5	-
	31st March, 2018	-	-	-	-	5	-
Mr. V. Ramakrishna Iyer	31st March, 2019	-	-	-	-	3	-
	31st March, 2018	-	-	-	-	2	-
Mr. M. Rohatgi	31st March, 2019	-	-	-	-	3	-
	31st March, 2018	-	-	-	-	3	-
Ms. A. Ramakrishnan	31st March, 2019	-	-	-	-	5	-
	31st March, 2018	-	-	-	-	3	-
Total	31st March, 2019	-	-	-	344	44	-
	31st March, 2018	-	-	-	268	34	-
Others							
Usha Martin Employees provident Fund Trust		-	-	-	-	-	327
		-	-	-	-	-	251
Grand Total	31st March, 2019	12,466	21	189	344	44	327
	31st March, 2018	9,842	15	(59)	268	34	251

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

* Break up of remuneration of Key management personnel of SBB business is as under :

(All amounts in Rs. lakhs)

Key management personnel	Year ended March 31, 2019			Year ended March 31, 2018		
	Salary and bonus	Contribution to provident and other funds	Total	Salary and bonus	Contribution to provident and other funds	Total
Mr. Rajeev Jhawar	92	13	105	70	13	83
Mr. P. K. Jain	101	5	106	89	6	95
Mr. Rohit Nanda	108	2	110	75	2	77
Ms. Shampa Ghosh Ray	22	1	23	12	1	13
Total	323	21	344	246	22	268

(iii) Balance outstanding of related parties with SBB business

(All amounts in Rs. lakhs)

Name and relationship		Trade receivables	Other financial liabilities
Entities controlled by the Company			
USSIL	31st March, 2019	4,733	-
	31st March, 2018	2,819	-
Total	31st March, 2019	4,733	-
	31st March, 2018	2,819	-
Entities jointly controlled by the Company			
PUMWPL	31st March, 2019	450	-
	31st March, 2018	1,185	-
Total	31st March, 2019	450	-
	31st March, 2018	1,185	-
Others			
Usha Martin Employees provident Fund Trust	31st March, 2019	-	206
	31st March, 2018	-	19
Grand Total	31st March, 2019	5,183	206
	31st March, 2018	4,004	19

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. For the year ended 31st March, 2019 and 31st March, 2018, the SBB business has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period through examining the financial position of the related party and the market in which the related party operates.

The SBB business routinely enters into transactions with these related parties in the ordinary course of business at market rates and terms.

28B. LONG-TERM SUPPLY AGREEMENT BETWEEN THE COMPANY AND THE PURCHASER

The Company, presently, has inter unit sales transactions between its SBB business and Wire and wire ropes (WWR) business. Pursuant to the terms of the BTA, the Company and the Purchaser has entered into a long-term supply agreement on April 6, 2019 for a period of fifty nine months for supply of high-carbon and other grades of wire rods and for a period of two years for commercial grade wire rods, for production of wire/wire ropes by the Company.

The price of the products shall be mutually decided between the Company and the Purchaser as per prevailing market rates on the basis of the best available information and data of other major steel wire rod producers after considering all discounts, rebates, credit notes etc.. The payment terms shall be thirty days letter of credit for a period of six months from the agreement date and advance payment before dispatch, thereafter.

STEEL AND BRIGHT BAR BUSINESS OF USHA MARTIN LIMITED

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

Following are the details of sales made by SBB business to WWR business during the year ended March 31, 2019 -

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
Sale of products	98,746	75,977

There are no balances outstanding as at March 31, 2019 and as at March 31, 2018 with WWR business of the Company as such sale transactions are made at zero credit days policy.

29. SEGMENT INFORMATION

The SBB business activity falls within a single primary business segment, "Steel", which manufactures and sells steel wire rods, bars, blooms, bright bar, billets, pig iron and allied products.

The Chief Operating Decision Maker ("CODM") evaluates the SBB business's performance and allocates resources based on an analysis of various performance indicators considering a single business segment. The CODM reviews revenue and profit from operations as the performance indicator considering a single business segment.

Although, the SBB business primarily operates in India, the operations are also in other geographical areas of the world (other countries). The business is organised in two geographical segments i.e. within India and outside India. The following tables present revenue and non-current asset information regarding the SBB business's geographical segments, based on the areas in which customers of the SBB business are located.

Revenue from external customers

(All amounts in Rs. lakhs)

	Year ended 31st March, 2019	Year ended 31st March, 2018
India *	384,854	335,487
Outside India	9,346	9,140
Total revenue from contract with customers as per special purpose carve-out statement of profit and loss	394,200	344,627

* Revenue aggregating Rs. 59,469 lakhs (March 31, 2018 : Rs 55,364 lakhs) from one customer constituted 10% or more of the SBB business's total revenue for the year.

Details of non-current operating assets based on geographical area are as below:

(All amounts in Rs. lakhs)

	As at 31st March, 2019	As at 31st March, 2018
India	372,035	390,923
Outside India	-	-

Non-current operating assets for this purpose consists of property, plant and equipment, capital work-in-progress and intangible assets.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

30 A. FAIR VALUE HIERARCHY

Financial instruments by category

(All amounts in Rs. lakhs)

	As at 31st March, 2019			As at 31st March, 2018		
	Amortised cost	Total carrying value	Total fair value	Amortised cost	Total carrying value	Total fair value
Financial assets						
Trade receivables	21,504	21,504	21,504	34,015	34,015	34,015
Cash and cash equivalents	209	209	209	11	11	11
Loan and advances	4	4	4	66	66	66
Other financial assets	676	676	676	1,319	1,319	1,319
Total financial assets	22,393	22,393	22,393	35,411	35,411	35,411
Financial liabilities						
Borrowings	11,595	11,595	11,595	28,831	28,831	28,831
Trade payables	151,370	151,370	151,370	158,315	158,315	158,315
Other financial liabilities	6,638	6,638	6,638	4,676	4,676	4,676
Total financial liabilities	169,603	169,603	169,603	191,822	191,822	191,822

The management of the Company assessed that Trade receivables, cash and cash equivalents, loan and advances, other financial assets, borrowings, trade payables and other financial liabilities of SBB business approximate their carrying amounts largely due to the short term maturities of these instruments. To provide an indication about the reliability of the inputs used in determining fair value, the SBB business has classified its financial investments into the three levels prescribed under the accounting standard.

The SBB Business uses the following hierarchy for determining and /or disclosing the fair value of financial instruments by valuation techniques:

Level 1 hierarchy includes financial instruments measured using quoted prices in active markets for identical assets or liabilities.

Level 2 hierarchy includes the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) and the fair value is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There are no transfers between levels 1 and 2 during the period. The Company's policy for SBB business is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

30B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the SBB business's risk management framework. The board of directors has established the Risk Management Committee (RMC) which is responsible for developing and monitoring the risk management policies for SBB business.

The Company's risk management policies are established to identify and analyse the risks faced by the SBB business, to set appropriate risk limits and control and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the SBB business's activities.

In the course of its business, the SBB business is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company for SBB business has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the Board of Directors.

The risk management framework aims to:

- (i) create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the SBB business's business plan.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

- (ii) achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

(a) Credit risk

Credit risk refers to the risk of financial loss that may arise from counterparty failure on its contractual obligations resulting in financial loss to the SBB business. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks.

The Company for SBB business controls its own exposure to credit risk. All external customers undergo a creditworthiness check. The Company for SBB business performs an on-going assessment and monitoring of the financial position and the risk of default. Based on the aforesaid checks, monitoring and historical data, the Company does not perceive any significant

Of the year end trade receivables, the following were past due but not impaired as at 31st March, 2019 and as at 31st March, 2018:

(All amounts in Rs. lakhs)

Particulars	As at	As at
	31st March, 2019	31st March, 2018
Neither impaired nor past due	18,759	29,443
Past due but not impaired		
Due less than one month	1,889	1,546
Due between one - three months	824	526
Due between three - twelve months	32	2,456
Due greater than twelve months	-	44
Total	21,504	34,015

(b) Liquidity risk

Liquidity risk refers to the risk that the SBB business cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company has obtained fund and non-fund based working capital lines from various banks. Furthermore, the Company has access to funds from debt markets for the funding of SBB business.

credit risk on trade receivables of SBB business.

In addition, as part of its cash management and credit risk function, the Company for SBB business regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash and performs trade finance operations. The Company for SBB business primarily has banking relationships with the public sector, private and large international banks with good credit rating.

One customer owed to the SBB business Rs 11,023 lakhs (March 31, 2018 : Rs 16,283 lakhs) and accounted for approximately 51% (March 31, 2018 : 48%) of trade receivables.

The maximum exposure to the credit risk at the reporting date is the carrying value of all financial assets amounting to Rs. 22,393 lakhs (March 31, 2018: Rs 35,411 lakhs) as disclosed in note 30A.

The Company has liquidity risk monitoring processes covering short-term, mid-term and long-term funding for SBB business.

Liquidity risk is managed through maintaining adequate amount of committed credit facilities and loan funds. Management regularly monitors projected and actual cash flow data, analyses the repayment schedules of the existing financial assets and liabilities and performs annual detailed budgeting procedures coupled with rolling cash flow forecasts.

The contractual maturities of the SBB business's financial liabilities are presented below:-

(All amounts in Rs. lakhs)

31st March, 2019	Contractual cash flows		
	Less than 1 year	More than 1 year	Total
Borrowings	11,595	-	11,595
Trade payables	151,370	-	151,370
Other financial liabilities	6,638	-	6,638
Total	169,603	-	169,603

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

(All amounts in Rs. lakhs)

31st March, 2018	Contractual cash flows		
	Less than 1 year	More than 1 year	Total
Non-derivative financial liabilities			
Borrowings	28,831	-	28,831
Trade payables	158,315	-	158,315
Other financial liabilities	4,676	-	4,676
Total	191,822	-	191,822

(c) Market risk

Market risk is the risk of any loss in future earnings, in realisable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity price fluctuations, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The SBB business is exposed to different types of market risks. The market risk is the possibility that changes foreign currency exchange rates, interest rates and commodity prices may affect the value of the SBB business's financial assets, liabilities or expected future cash flows.

The fair value information presented below is based on the information available with the management as of the reporting date.

(c.1) Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The risk of fluctuations in foreign currency exchange rates on its financial liabilities including borrowing, trade and other payable etc., are mitigated through the use of derivative instruments. The SBB business does not use derivative financial instruments for trading or speculative purposes.

A reasonably possible strengthening/weakening of the Indian Rupee against such foreign currency (converted to US Dollars) as at 31st March, 2019 and as at 31st March, 2018 would have affected profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

	Changes in USD rate	Unhedged foreign currency receivables / payables (net)	Effect on profit / (loss) before tax	Impact on Equity
	%	(Rs. In lakhs)	(Rs. In lakhs)	(Rs. In lakhs)
31st March, 2019	10%	4,049	405	405
	-10%		(405)	(405)
31st March, 2018	10%	(549)	(55)	(55)
	-10%		55	55

(c.2) Interest rate risk

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates. Any movement in the reference rates could have an impact on the Company's cash flows for SBB business as well as costs. The SBB business is subject to variable interest rates on some of its interest bearing liabilities.

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

The exposure of the SBB business's financial assets and financial liabilities as at 31st March, 2019 and as at 31st March, 2018 to interest rate risk is as follows :

(All amounts in Rs. lakhs)

Financial Assets	Total	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets
31st March, 2019	22,393	-	626	21,767
31st March, 2018	35,411	-	739	34,672

(All amounts in Rs. lakhs)

Financial Assets	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
31st March, 2019	169,603	111,420	-	58,182
31st March, 2018	191,822	129,988	-	61,834

If the interest rates applicable to floating rate instruments is increased/decreased by 1%, the loss before tax for the year ended 31st March, 2019 would increase/decrease by Rs 1,114 lakhs (31st March, 2018 : Rs 1,299 lakhs) on an annualised basis. This assumes that the amount and mix of fixed and floating rate debt remains unchanged during the period from that in place as at half year end.

(c.3) Commodity price risk

The SBB business's revenue is exposed to the risk of price fluctuations related to the sale of its steel products. Market forces generally determine prices for such products sold by the SBB business. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global and regional economic conditions and growth. Adverse changes in any of these factors may reduce the revenue that the SBB business earns from the sale of its steel products.

The SBB business primarily purchases its raw materials (except iron ore extracted from captive mine) in the open market from third parties. The SBB business is therefore subject to fluctuations in prices of coking coal, thermal coal, iron ore, ferro alloys, scrap and other raw material inputs. The SBB business purchased substantially all of coal requirements from third parties in the open market during the year ended 31st March, 2019.

The SBB business aims to sell the products at prevailing market prices. Similarly the SBB business procures key raw materials like iron ore and coal based on prevailing market rates as the selling prices of steel prices and the prices of input raw materials move in the same direction. The SBB business does not have any commodity forward contract for Commodity hedging.

The following table details the SBB business's sensitivity to a 5% movement in the input price of iron ore and coal. The sensitivity analysis includes only 5% change in commodity prices for quantity sold or consumed during the year, with all other variables held constant. A negative number below indicates an increase in loss where the commodity prices increase by 5%. For a 5% decrease in commodity prices, there would be a comparable impact on loss and the balances below are positive.

Impact for a 5% change on the special purpose carve-out statement of profit and loss

(All amounts in Rs Lakhs)

Particulars	Increase	Decrease
31st March, 2019		
Coal	(8,051)	8,051
Iron ore	(305)	305
31st March, 2018		
Coal	(6,631)	6,631
Iron ore	(504)	504

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

30C. Derivative Financial Instruments

The SBB business uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates. The SBB business does not acquire or issue derivative financial instruments for trading or speculative purposes. The SBB business does not enter into complex derivative transactions to manage the treasury risks. Treasury derivative transactions are normally in the form of forward contracts and these are subject to the SBB business guidelines and policies. The fair values of all derivatives are separately recorded in the balance sheet within current and non-current assets and liabilities. The use of derivatives can give rise to credit and market risk. The SBB business tries to control credit risk as far as possible by only entering into contracts with reputable banks and financial institutions. The use of derivative instruments is subject to limits, authorities and regular monitoring by appropriate levels of management. The limits, authorities and monitoring systems are periodically reviewed by management and the Board. The market risk on derivatives is mitigated by changes in the valuation of the underlying assets, liabilities or transactions, as derivatives are used only for risk management purposes.

30D. CAPITAL MANAGEMENT

The SBB business is dependent upon the Company for all of its working capital and financing requirements as the Company uses a centralized approach to cash management and financing of its operations. Capital, as disclosed represents the difference between the assets and liabilities of the SBB business being net asset value. The Company's primary capital management objectives for SBB business are to ensure its ability to continue as a going concern and to optimize the cost of capital.

The following table summarises the capital of the SBB business -

Particulars	(All amounts in Rs. lakhs)	
	As at 31st March, 2019	As at 31st March, 2018
Cash and cash equivalents [refer note 8 (ii)] (a)	209	11
Current borrowings [refer note 13 (i)]* (b)	11,595	28,831
Net debt (c = b-a)	11,386	28,820
Total capital (refer note 10)	232,106	281,646
Total (capital + net debt) (d)	243,492	310,466
Gearing ratio (c/d)	0.05	0.09

*excludes long-term borrowings and short-term borrowings which has been retained by the Company and hence not included in these special purpose carve-out financial statement as per terms of the BTA.

31. DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT ACT, 2006 (MSMED)

	(All amounts in Rs. lakhs)	
	As at 31st March, 2019	As at 31st March, 2018
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
i) Principal amount due to micro and small enterprise	2,048	1429
ii) Interest due on above	139	198
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
iv) The amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	Nil	Nil
v) The amount of interest accrued and remaining unpaid at the end of each accounting year	487	348
vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	Nil	Nil

NOTES TO THE SPECIAL PURPOSE CARVE-OUT FINANCIAL STATEMENTS

The above particulars, as applicable, have been given in respect of MSEs to the extent they could be identified on the basis of information available with the SBB business.

- 32.** During the year, the SBB business has continued to incur losses although its performance in terms of profitability and cash flows has improved primarily due to recent improvements in the domestic steel sector. At the year end, SBB business's current liabilities exceeds its current assets by Rs. 138,445 lakhs (31st March, 2018: Rs 109,371). However, based on SBB business's expected improvement in performance, unconditional financial support hitherto provided by the Company including working capital and long-term borrowing arrangements utilised by SBB business, management of the Company believes that SBB business will be in a position to continue its present scale of operations for the next twelve months. However, aforesaid working capital and long-term borrowing arrangements have not been considered in preparing the Special Purpose Carve out Balance Sheet as at March 31, 2019, since these would not be taken over by the Purchaser pursuant to the terms of the BTA subject to the amendments and substitution vide Supplemental BTA.
- 33.** On April 9, 2019 (closing date), the Company has completed the sale of its steel business to the Purchaser except for transfer of an operative iron ore mine, coal mine under development and some of the assets which would be transferred subsequently subject to fulfilment of certain conditions precedent contained in the BTA and supplemental BTA. Cash consideration of Rs 346,863 lakhs [after adjustments for provisional negative working capital (NWC) of Rs 43,093 lakhs on the closing date and holdbacks of Rs 64,000 lakhs pending transfers of some of the assets including mines and certain land parcels] was discharged by the Purchaser in the Escrow accounts. The Company has utilised the above cash consideration to prepay the long-term borrowings of various lenders. Adjustment to NWC has been done on a provisional basis and subject to on-going further/final commercial negotiation between the Company and the Purchaser which may impact carrying values of certain current assets and / or current liabilities as at 31st March, 2019.
- 34.** Previous year's figures have been regrouped / rearranged wherever necessary, to conform to current year's presentation.

The accompanying notes are an integral part of the Special Purpose Carve-out Interim Financial Statements.

As per our report of even date

For S.R. Batliboi & Co. LLP

ICAI Firm Registration number : 301003E/E300005

Chartered Accountants

For and on behalf of the Board of Directors of Usha Martin Limited

Rajeev Jhawar

Managing Director

DIN: 00086164

Pravin Kumar Jain

Joint Managing Director

(Wire & Wire Rope Business)

DIN: 02583519

per Bhaswar Sarkar

Partner

Membership No. : 055596

Anirban Sanyal

Chief Financial Officer

Shampa Ghosh Ray

Company Secretary

ACS: 16737

Place: Kolkata

Date: June 9, 2019

MATERIAL DEVELOPMENTS

Except as stated in this Letter of Offer and as disclosed below, to our knowledge, no circumstances have arisen since March 31, 2019, being the date of the last audited balance sheet, which materially and adversely affect or are likely to affect our operations, performance, prospects or profitability, or the value of our assets or our ability to pay material liabilities.

1. Pursuant to our board resolution dated December 15, 2018, our Company has, on April 8, 2019, issued 80,000 commercial papers of face value of Rs. 5 lakhs each, for an amount of Rs. 4,00,000 lakhs, on a private placement basis.
2. Our Company has completed the acquisition of the Steel Business Undertaking including the captive power plants on April 9, 2019, pursuant to a cash consideration (after adjustment for negative working capital and debt like items) payable to UML of Rs. 4,09,406.83 lakhs, which is subject to further hold backs of Rs. 64,000 lakhs, pending transfer of some of the assets from UML. Our Company has subsequently completed the registration of the transfer deed among UML, the Company and the Governor of Jharkhand, in relation to the transfer of the operative iron ore mine in favour of the Company. However, the transportation of the iron ore extracted from the mine to our plant will take some time pending grant of permissions from the concerned authorities.
3. Our Board, at its meeting held on April 18, 2019, has approved the change in name of our Company from "*Tata Sponge Iron Limited*" to "*Tata Steel Long Products Limited*" or such other name, as may be approved by the registrar of companies, subject to the approval of the members of the Company and other regulatory authorities, as may be applicable and consequent amendment in name clause of Memorandum of Association.
4. Our Board, at its meeting held on April 18, 2019, has approved the shifting of our Registered Office from the State of Odisha to the State of West Bengal, subject to the approval of the members of the Company and other regulatory authorities, as may be applicable and consequent amendment in the registered office clause of the Memorandum of Association.

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

The following tables present certain key accounting and other ratios of our Company computed on the basis of the Financial Statements included in the section titled “*Financial Statements*” beginning on page 103.

Accounting Ratios

Ratio	As at and for the Financial Year ended March 31, 2019	As at and for the Financial Year ended March 31, 2018
Basic and Diluted Earnings Per Share (in Rs.)	80.77	91.48
Return on Net Worth (in %)	11.48	14.28
Net Asset Value per Equity Share (in Rs.)	703.65	640.60
EBITDA (in Rs. Lakhs)	20,242.18	22,575.52

The ratios have been computed as below:

Ratios	Computation
Basic and Diluted Earnings Per Share	$\frac{\text{Profit attributable to shareholder}}{\text{Total number of weighted average number of shares}}$
Return on Net Worth (%)	$\frac{\text{Profit for the Year}}{\text{Net Worth}}$
Net Asset Value per Share	$\frac{\text{Net Worth}}{\text{Average number of shares}}$ Net Worth = Equity share capital + Other equity
EBITDA	Profit before tax + depreciation and amortization expenses + finance cost

Capitalization Statement

The following table sets forth the capitalization statement of our Company (on a consolidated basis):

(in Rs. Lakhs)

Particulars	As at March 31, 2019	
	Pre-Issue	As adjusted for the proposed Issue*
Total borrowings		
Current borrowings	-	-
Non-current borrowings (including current maturities)	-	-
Total equity		
Equity share capital	1,540.00	(●)
Other equity	1,06,822.74	(●)
Total equity	1,08,362.74	(●)
Non-current borrowings / Total equity ratio	-	-

* Assuming full subscription of the Issue

STOCK MARKET DATA FOR EQUITY SHARES

The Equity Shares are listed on BSE and NSE. The Rights Equity Shares being issued pursuant to the Issue, have not been listed earlier and will be listed on the Stock Exchanges pursuant to the Issue. For further details, please refer to the section titled “*Terms of the Issue*” beginning on page 236. We have received in-principle approvals for listing of the Rights Equity Shares to be issued pursuant to the Issue from BSE and NSE by letters dated (●) and (●), respectively.

For the purpose of this section, unless otherwise specified:

- Average price is the average of the daily closing prices of the Equity Shares for the year, or the month, as the case may be;
- High price is the maximum of the daily high prices and low price is the minimum of the daily low prices of the Equity Shares, as the case may be, for the year, or the month, as the case may be; and
- In case of two days with the same high / low / closing price, the date with higher volume has been considered.

The following table sets forth the high, low and average market prices of the Equity Shares recorded on BSE and NSE during the preceding three years and the number of the Equity Shares traded on the days of the high and low prices were recorded:

BSE							
Fiscal	Date of High	High (in Rs.)	Volume on Date of High (No. of Equity Shares)	Date of Low	Low (in Rs.)	Volume on Date of Low (No. of Equity Shares)	Average (in Rs.)
2019	April 12, 2018	1,248.00	2,84,449	January 29, 2019	660.00	11,790	889.37
2018	January 18, 2018	1,239.00	1,55,075	April 03, 2017	701.75	27,399	910.80
2017	March 01, 2017	721.90	4,64,315	April 01, 2016	466.50	25,431	599.94

Source: www.bseindia.com

NSE							
Fiscal	Date of High	High (in Rs.)	Volume on Date of High (No. of Equity Shares)	Date of Low	Low (in Rs.)	Volume on Date of Low (No. of Equity Shares)	Average (in Rs.)
2019	April 12, 2018	1,249.00	33,92,284	January 29, 2019	661.30	1,53,176	889.45
2018	January 18, 2018	1,240.00	8,16,666	April 03, 2017	701.05	2,04,634	911.16
2017	March 01, 2017	722.90	25,03,723	April 01, 2016	465.20	1,20,757	600.23

Source: www.nseindia.com

The following table sets forth the monthly high and low prices and trading volumes on BSE and NSE for the six months preceding the date of filing of this Letter of Offer.

BSE							
Month	Date of High	High (in Rs.)	Volume on Date of High (No. of Equity Shares)	Date of Low	Low (in Rs.)	Volume on Date of Low (No. of Equity Shares)	Average (in Rs.)
May 2019	May 03, 2019	745.00	3,750	May 14, 2019	663.25	5,936	701.52
April 2019	April 15, 2019	794.45	15,574	April 30, 2019	735.00	3,986	758.93
March 2019	March 29, 2019	780.00	20,595	March 01, 2019	711.70	3,654	747.31
February 2019	February 06, 2019	795.00	25,040	February 19, 2019	668.35	7,966	721.35
January 2019	January 01, 2019	869.90	5,822	January 29, 2019	660.00	11,790	776.09
December 2018	December 31, 2018	873.00	6,066	December 11, 2018	727.85	23,544	790.97

Source: www.bseindia.com

NSE							
Month	Date of High	High (in Rs.)	Volume on Date of High (No. of Equity Shares)	Date of Low	Low (in Rs.)	Volume on Date of Low (No. of Equity Shares)	Average (in Rs.)
May 2019	May 29, 2019	736.70	51,654	May 14, 2019	661.20	50,447	701.36
April 2019	April 15, 2019	797.00	2,78,914	April 30, 2019	733.05	38,855	759.34
March 2019	March 29, 2019	782.00	2,32,482	March 01, 2019	713.65	45,940	746.74
February 2019	February 06, 2019	795.00	2,04,228	February 19, 2019	667.65	80,407	721.10
January 2019	January 02, 2019	863.00	1,13,725	January 29, 2019	661.30	1,53,176	776.10
December 2018	December 28, 2018	873.40	1,24,140	December 11, 2018	727.00	1,05,319	791.95

Source: www.nseindia.com

Week end prices of Equity Shares of our Company along with the highest and lowest prices on the Stock Exchanges for the last four weeks preceding the date of filing of this Letter of Offer is as stated below:

BSE						
For the Week Ended	Closing Price (in Rs.)	Date of High	High (in Rs.)	Date of Low	Low (in Rs.)	
May 17, 2019	673.00	May 15, 2019	715.00	May 14, 2019	663.25	
May 24, 2019	712.50	May 20, 2019	730.20	May 20, 2019	675.05	
May 31, 2019	715.45	May 27, 2019	739.45	May 27, 2019	707.00	
June 7, 2019	709.60	June 3, 2019	732.00	June 7, 2019	708.20	

Source: www.bseindia.com

NSE					
For the Week Ended	Closing Price (in Rs.)	Date of High	High (in Rs.)	Date of Low	Low (in Rs.)
May 17, 2019	673.35	May 15, 2019	713.30	May 14, 2019	661.20
May 24, 2019	711.90	May 20, 2019	728.80	May 20, 2019	679.95
May 31, 2019	716.75	May 29, 2019	736.70	May 27, 2019	705.00
June 7, 2019	710.95	June 3, 2019	731.90	June 7, 2019	710.00

Source: www.nseindia.com

The closing market price of the Equity Shares of our Company as on one day prior to the date of the Letter of Offer was (●) on BSE and (●) on NSE. The Issue Price of (●) per Rights Equity Share has been arrived at in consultation between our Company and the Lead Managers.

SECTION VII – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND DEFAULTS

We are, from time to time, involved in various legal proceedings in the ordinary course of business, which involve matters pertaining to, amongst others, tax, regulatory and other disputes. Except as disclosed below, there is no outstanding litigation involving our Company and our Subsidiary that would have a material and adverse effect on the operations or the financial position of the Company.

Our Board at its meeting held on April 18, 2019, resolved that for the purpose of disclosure of litigations in this Letter of Offer, the materiality threshold shall be 1% of the consolidated turnover of the Company.

Further, except as stated below, neither our Company nor our Subsidiary are aware of any pending litigation involving issues of moral turpitude or criminal liability, material violations of statutory regulations or proceedings relating to economic offences.

Litigation involving our Company

Proceedings filed by our Company

Civil proceedings

1. Our Company has filed a writ petition before the High Court of Orissa (“**Orissa High Court**”) against the State of Odisha and the Executive Engineer, Baitarani Division, Salapada, Keonjhar (“**Executive Engineer**”, and together with the State of Odisha, the “**Opposite Parties**”). Pursuant to a resolution dated May 18, 2015, passed by the Department of Water Resources, Government of Odisha (“**Department of Water Resources**”) for framing the “*Guidelines for Constitution, Administration and Utilization of Water Conservation Fund*”, the Executive Engineer issued a letter bearing number 4415 on June 10, 2015, to our Company, directing us to pay Rs. 1,005 lakhs as one time contribution towards the water conservation fund. Subsequently, the Executive Engineer, pursuant to a resolution dated November 3, 2015, passed by the Department of Water Resources, issued another letter bearing number 3586 dated March 29, 2016 (“**Demand Letter**”), directing us to deposit a sum amounting to Rs. 201 lakhs per annum for a period of five years as contribution towards the water conservation fund. Pursuant to the Demand Letter, our Company paid an amount of Rs. 201 lakhs to the Government of Odisha on March 31, 2016 for financial year 2015-16, under protest. Our Company filed the writ to challenge: i) the legality of the abovementioned letters and ii) the constitutional validity of the abovesaid resolutions as the same were violative of Article 265 of the Constitution of India. Further, our Company filed a miscellaneous application in the abovesaid matter for seeking a grant of stay on the operation of these resolutions. The Orissa High Court, by way of an order dated October 26, 2016, granted stay of recovery in pursuant of the abovementioned impugned letters until the Opposite Parties obtain instruction or file their counter-affidavit. The counter-affidavit has not been filed by the Opposite Parties till date. The matter is currently pending.
2. Our Company has filed a writ petition before the High Court of Delhi against the Union of India (“**UOI**”) and others. Our Company had been allocated the Radhikapur (East) coal block by the Ministry of Coal, Government of India (“**MoC**”) by way of a letter of allocation dated February 7, 2006 (“**Letter of Allocation**”), and had furnished a bank guarantee of Rs. 3,250 lakhs (“**BG**”) in favour of the MoC in connection with the same. By way of its order dated November 23, 2012, the MoC had directed that the BG be deducted and deposited with the MoC, citing, *inter alia*, a delay in the development of the aforesaid coal block in terms of the Letter of Allocation. Further correspondence was exchanged between our Company and the MoC in respect of the foregoing, and subsequently, the MoC had *vide* its order dated December 28, 2015, reiterated that the BG be invoked and deposited with the MoC. Our Company has filed the writ petition challenging the aforesaid, submitting, *inter alia*, that the orders issued by MoC directing the deduction / invocation of the BG were arbitrary and disproportionate, and were issued without considering the reasons for non-adherence provided by our Company. The matter is currently pending.

Regulatory proceedings

1. Our Company has filed a writ petition before the High Court of Orissa (“**Orissa HC**”) against the Odisha Electricity Regulatory Commission (“**OERC**”) and Odisha Renewable Energy Development Agency, seeking quashing of an order passed by OERC dated August 7, 2015, pertaining to compliance of certain obligations under the OERC (Renewable and Co-Generation Purchase Obligation and its Compliance) Regulations, 2010 (“**RPO Obligation**”), as the contents of the order create a compulsory obligation upon our Company to purchase certain percentage of electricity from co-generation and renewable sources of energy. The Orissa HC has stayed the compliance till disposal of the case. The matter is currently pending.
2. Our Company has filed an appeal before the Appellate Tribunal for Electricity, New Delhi (“**APTEL**”) against Odisha Electricity Regulatory Commission (“**OERC**”) and others for quashing of its orders dated January 3, 2013 (“**OERC Order**”) and December 23, 2014 (“**OERC Review Order**”). As per the OERC Order, OERC allowed our Company to inject power to the state grid and deem it as self-consumption for the period of Financial Years 2011-2012 and 2012-2013 for the purpose of determination of captive generating plant status (“**CGP Status**”) by invocation of Section 11 of the Electricity Act, 2003. As per the OERC Review Order, OERC disallowed the injection of power to the state grid for the Financial Year 2012-2013 as deemed self-consumption and maintained the CGP Status of our Company only up to the period June 2012. Subsequently, *vide* notification dated July 23, 2012, the CGP Status held by our Company was withdrawn with effect from July 31, 2012. Pursuant to the appeal, our Company has submitted that the benefit of CGP Status under Section 11 of Electricity Act, 2003 should be applicable for the entire Financial Year 2012-13 as it was resolved by the State Cabinet, *vide* resolution dated April 10, 2012, that the injection of power made by CGP to the state grid during period of invocation of Section 11 shall be considered as deemed self-consumption in the Financial Year 2011-12 and 2012-13. The current appeal filed by our Company before APTEL was allowed and the matter was remitted back to the OERC for reconsideration afresh. The matter is currently pending.
3. The Registrar of Companies-cum-Official Liquidator, Odisha (“**RoC**”) issued a show cause notice dated October 5, 2017 (“**SCN**”), to our Company for alleged non-compliance of provisions under Section 135 of the Companies Act, 2013, and the rules made thereunder. Our Company responded to the said SCN by way of a letter dated November 7, 2017 (“**Letter**”), and stated that it had (a) complied with abovesaid provisions, (b) made the requisite disclosures pertaining to CSR in the Directors’ Report for Financial Year 2015-16, including, *inter alia*, in respect of the constitution of the CSR Committee, details of the amount spent on CSR activities, details of the CSR policies, and (c) spent an amount aggregating to Rs. 277.49 lakhs, as against the statutory requirement of Rs. 274 lakhs (i.e. 2% of the average net profit of the Company for the last three financial years). No further correspondence has been received in this regard.
4. The Investor Education and Protection Fund Authority, Ministry of Corporate Affairs (“**IEPF Fund Authority**”) issued a show cause notice (“**SCN**”) to our Company dated September 5, 2018, alleging that the company has not filed Form IEPF4 corresponding to form INV 1 / IEPF 1 for financial years prior to the notification of sections / IEPF Rules dated September 07, 2016. Our Company responded to the said SCN *vide* letter dated October 3, 2018, (“**Response**”) stating that as per the notification dated October 16, 2017, the shares, along with dividend, were required to be transferred to the IEPF from October 31, 2017. Accordingly, the Response stated that under the erstwhile Companies Act, 1956, there was no such requirement of transfer of shares to IEPF, no IEPF 4 was in place, thus there is no requirement of Form IEPF4 filing and hence no filing is made. No further correspondences were received from the IEPF Fund Authority thereafter.

Tax Proceedings

1. Our Company has filed an appeal before the CESTAT, Calcutta against the Commissioner of Customs (Preventive), Bhubaneswar. Initially, the Commissioner of Central Excise, Customs and Service Tax, Bhubaneswar, by classifying the imported coal as bituminous coal instead of steam coal, issued a show cause notice on the Company, demanding payment of the differential customs duty of Rs. 478.7 lakhs and the applicable countervailing duty of Rs. 507.4 lakhs aggregating to Rs. 986.05 lakhs along with interest of Rs. 83.8 lakhs (calculated at the time of payment). Thereafter, the Company paid the differential customs duty of Rs. 478.7 lakhs and the countervailing duty of Rs. 507.4 lakhs amounting to Rs. 986.05 lakhs along with

interest of Rs. 83.8 lakhs under protest, in accordance with Section 28AA of the Customs Act, 1962. The Commissioner of Customs (Preventive), Bhubaneswar, in adjudication of the payment under protest, confirmed the abovesaid penalty and also imposed a fine of Rs. 2,325 lakhs on the Company in terms of Section 125 of the Customs Act, 1962. Being aggrieved by the abovesaid order, our Company has filed the present appeal. The matter is pending.

2. The Joint Commissioner of Commercial Taxes, Jajpur Range, Jajpur Road, issued notices dated January 11, 2018, directing our Company to submit proof of payment of (i) Rs. 318.56 lakhs, being 20% of the tax and interest under dispute, and Rs. 801.56 lakhs towards the admitted tax as required under Section 16(4) of the Orissa Entry Tax Act, 1999, (*for the period from April 1, 2008, to March 31, 2012*) and (ii) Rs. 83.08 lakhs, being 20% of the tax and interest under dispute, and Rs 370.22 lakhs towards the admitted tax as required under Section 16(4) of the Orissa Entry Tax Act, 1999 (*for the period from April 1, 2012, to August 31, 2013*). In response to the notices, the Company, by way of its Memoranda of Appeal, submitted that (a) it had paid 50% of the tax and interest that was demanded in the orders dated December 31, 2013, passed by the Deputy Commissioner of Sales Tax, Barbir Circle, Barbil, and (b) the question of payment of admitted tax did not arise as turnover was not disclosed in the returns filed under the Orissa Entry Tax Act, 1999. The Company further prayed that the notices be dropped and the appeal be disposed of. The matters are currently pending.

Other Matters

Fourteen cases have been filed against certain current and former directors of our Company, in relation to alleged violations, arising during the course of their employment, under, among other laws, the Factories Act, 1948, Indian Penal Code, 1860, the Drugs and Cosmetics Act, 1940, and the rules made thereunder. These matters are currently pending at various stages of adjudication.

Assumed Proceedings involving the Steel Business Undertaking

As per the terms contained in the BTA, certain legal proceedings pertaining to the Steel Business Undertaking shall be continued, prosecuted, defended and enforced by our Company (“**Assumed Proceedings**”). The cost and expenses incurred in continuing, prosecuting, defending and enforcing legal proceedings other than the Assumed Proceedings shall be to the account of UML. Except as disclosed below, there are no legal proceedings involving the Steel Business Undertaking that would have a material and adverse effect on the operations or the financial position of the Company.

Civil Proceedings

1. The District Mining Officer, Chaibasa (“**DMO**”), submitted a requisition before the Learned Certificate Officer (Mining), Kolhan region, Chaibasa (“**Certificate Officer**”). The DMO issued a show cause notice dated December 18, 2010 to UML informing them that the production value as per their monthly returns was lesser than the production value as calculated through the volumetric measurement conducted by the task force of the Department of Mines and Geology, Government of Jharkhand (“**Department of Mines**”), for the period between 2005 to 2010. Thereafter, the DMO informed UML to clear its stand on the aforesaid issue failing which the royalty for the differential production value would be charged. Thereafter, UML filed it replies with the DMO explaining its stand. Regardless of UML’s reply, the aforesaid requisition was submitted. Thereafter, the Certificate Officer registered the case as a certificate case and issued a notice upon UML to pay an amount of Rs. 1,921.84 lakhs (including interest). Subsequently, after considering UML’s objections, the Certificate Officer, by way of its letter dated January 9, 2018 to the DMO, directed that certain issues pertaining to the case be re-examined. The Certificate Officer, vide its order dated April 9, 2019, demanded that a sum of Rs.235.82 lakhs be deposited before the Department of Mines. In response, UML paid the demanded sum, under protest, on April 20, 2019. The matter is currently pending.
2. UML has filed a writ petition in the High Court of Jharkhand, Ranchi (“**High Court**”) against the State of Jharkhand and certain others for quashing of an order of the Ministry of Mines, Government of India dated September 16, 2015 (“**DMFT Order**”), The Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015, The Jharkhand District Mineral Foundation (Trust) Rules, 2016 and an order of the Government of Jharkhand dated April 9, 2015. The Mines and Minerals (Development and Regulation) Act,

1957 was amended by the Government of India to include Section 9B, with effect from January 12, 2015, which provided for the establishment of the District Mineral Foundation Trust (“**DMFT**”). By way of the DMFT Order, the effective date for the establishment of the DMFT was stated to be January 12, 2015. Pursuant to the Jharkhand District Mineral Foundation (Trust) Rules, 2016, enacted by the Government of Jharkhand, UML, being the holder of a mining lease for iron ore in Ghatkuri, West Singhbhum district was made liable to pay contribution to the DMFT with effect from January 12, 2015. Thereafter, the Government of Jharkhand raised a demand notice dated April 9, 2016 (“**Demand**”) on UML to deposit a contribution of 30% of royalty in the DMFT with retrospective effect from January 12, 2015. UML has challenged the Demand and the above mentioned legislations on the ground that retrospective demand for contribution cannot be enforced. The High Court *vide* its order dated August 10, 2017 chose to stay proceedings until a final order was passed by the Supreme Court of India on another matter involving the same question of law. The matter is currently pending.

3. UML filed a writ petition before the High Court of Jharkhand (“**Jharkhand HC**”) to quash the demand notice issued by the District Mining Officer, Chaibasa, demanding Rs. 2,847.03 lakhs for excess production of iron ore / mineral. The Jharkhand HC transferred the said matter to a division bench. In the meanwhile, a committee has been formed by the Government of Jharkhand to look in to the matter. The matter is currently pending.
4. UML filed a writ petition before the High Court of Jharkhand for quashing water bills aggregating to Rs. 1,046 lakhs, issued by the Department of Water Resources, Government of Jharkhand for usage between the period from December, 2015 to June, 2017. UML contended that the revised charges being levied under the water bills were excessive and hence arbitrary and illegal as well as *ultra vires* under the Bihar Irrigation Act, 1997. UML has further sought refund of a sum of Rs. 1,526.95 lakhs already paid by it towards water dues. The matter is currently pending.
5. UML filed a petition in the Civil Court, Seraikela, against the Bihar State Electricity Board (“**BSEB**”). BSEB raised a bill on UML for an amount of Rs. 1,142 lakhs towards energy charges and fuel surcharge. UML was aggrieved by the said bill and subjected the matter to arbitration, following which, an award (“**Award**”) was pronounced on May 2, 2000 stating for payment of Rs. 609.44 lakhs by UML towards the bill amount. The present petition is filed to challenge a portion of the Award so pronounced. The matter is currently pending.

Regulatory Proceedings

1. The Bihar State Electricity Board (“**BSEB**”) filed a writ petition before the High Court of Jharkhand (“**Jharkhand HC**”) against the Chairman, Jharkhand State Electricity Board (“**JSEB**”), Usha Beltron Limited (erstwhile name of UML) (“**UBL**”) and others. The JSEB, adjudicating the dispute between BSEB and UBL in relation to alleged unauthorized consumption of electricity by the latter for steel production, passed an arbitral award dated August 4, 2001 (“**Impugned Award**”) rejecting the contentions of BSEB and held that no compensatory bill was required to be paid to BSEB by UBL. BSEB filed the present petition praying for, amongst other reliefs, quashing of the Impugned Award, and a relief by way of a direction to UBL to pay an amount of Rs. 4,039.5 lakhs as a compensatory bill and furnish a bank guarantee of the aforesaid amount during pendency of the writ petition. The matter is currently pending.
2. Our Company filed a letters patent appeal (“**LPA**”) in the High Court of Jharkhand (“**Jharkhand HC**”) against Jharkhand Urja Vikas Nigam limited (“**JUVNL**”). The appeal has been filed to challenge the order dated May 8, 2015 on the issue of fuel surcharge and its computation method with respect to its revised bills for an amount of Rs. 10,773 lakhs. The Jharkhand HC passed an interim order dated July 28, 2015 (“**IO**”) by which UML was directed to pay principal amount and deposit 50% of delayed payment surcharge and submit bank guarantee for balance 50% of delayed payment surcharge. Aggrieved by the IO, UML filed a special leave petition in the Supreme Court. The Supreme Court ordered that the principle amount be paid but stayed the payment of the delay surcharge till the final order of the LPA. The matter is currently pending.

Public Interest Litigation

1. The High Court of Jharkhand, Ranchi, *suo moto* filed a writ petition against the State of Jharkhand and other

corporate entities, including Usha Martin Limited, Ranchi Plant (“**UML, Ranchi**”) and Usha Martin Limited, Jamshedpur Plant (“**UML, Jamshedpur**”) to examine the compliance of coal fired thermal power plants spread over various States in the country with the safety standards and the rules and regulations relating to health and medical treatment of their employees. An appropriate reply to the writ petition has been filed by UML, Ranchi and UML, Jamshedpur. The matter is currently pending.

Criminal Proceedings

1. Environment Protection Forum and others (“**Petitioners**”) have filed a petition before the court of sub-divisional magistrate, Seraikela (“**SDM**”) against Usha Martin Private Limited, Gamharia (“**UML**”). The Petitioners have alleged that UML has caused water pollution and public nuisance by disposing waste near the railway line and discharging industrial chemical/dust/effluents into the Sitarampur reservoir in a haphazard manner. The Petitioners prayed for the grant of conditional order by the SDM for removal of the alleged nuisance. Subsequently, UML filed its reply stating that the current petition is not maintainable, neither in fact nor in law. The matter is currently pending.
2. Pursuant to a complaint filed by J.C. Thakur (“**Complainant**”), a notice (“**SCN**”) was issued by the Court of Sub-Divisional Magistrate, Seraikela to the Managing Director of Usha Martin Private Limited (the “**Opposite Party**”) asking him/her to show cause as to why proceeding under Section 133 of the Code of Criminal Procedure, 1973 should not be continued. The proceeding is in relation to the alleged air pollution caused due to emission of coal dust and fly ash from the premises of Usha Martin Private Limited (“**UML**”). By way of a reply to the said SCN, the Opposite Party clarified that the SCN should be addressed to UML and not to the Opposite party. Further, denying the allegations, UML has submitted that it maintains air pollution bag filters and blast furnaces to prevent air pollution that takes place by the discharge of industrial effluents and emission of gases. The matter is currently pending.
3. Ravi Srivastava and Nishikant Mohanty, employees of UML (the “**Petitioners**”), filed criminal miscellaneous applications before the High Court of Jharkhand (“**Jharkhand HC**”) against the State of Jharkhand and Ajit Moral, a resident of Adityapur (“**Informant**”). In 2014, the Informant registered a first information report dated March 12, 2014 (“**FIR**”) with the Adityapur Police Station against the Petitioners and Mansaram Bej alleging that the Petitioners, on behalf of UML, fraudulently and deceitfully executed a sale deed in respect of a joint family property to which the Informant was a legal heir. Subsequently, the Chief Judicial Magistrate, Seraikela (“**CJM**”), by way of order dated April 29, 2015, took cognizance of the alleged offences and kept the case for trial and disposal (“**Impugned Order**”). Subsequently, the Petitioners filed the present applications praying for the quashing of the FIR and the Impugned Order. The Jharkhand HC, by way of its order dated February 16, 2016, stayed the proceedings before the CJM until further orders are passed. The matters are currently pending.
4. Birendra Kumar Pandey and Issac George, the official administrators of UML, (the “**Official Administrators**”) filed criminal miscellaneous petitions before the High Court of Jharkhand (“**Jharkhand HC**”) against the State of Jharkhand and the Food Inspector, Jamshedpur, for quashing the criminal proceedings initiated against the Official Administrators under the Prevention of Food Adulteration Act, 1954. The criminal proceedings were initiated against the Official Administrators for the alleged sale of adulterated turmeric powder before the Judicial Magistrate, First Class, Seraikela (“**JM Seraikela**”). The public analyst appointed under the Prevention of Food Adulteration Act, 1954 reported that the turmeric powder is adulterated due to presence of coloring matter and lead chromate. Subsequently, pursuant to an order dated October 20, 2011, the Official Administrators were ordered to be imprisoned. The Official Administrators had filed the criminal miscellaneous petition arguing that the turmeric powder was not for sale but for the consumption in the canteen of the factory and accordingly, UML should be implicated in the matter. Thereafter, the Jharkhand HC stayed the proceedings pending before the JM Seraikela. The matters are currently pending.
5. A complaint was filed by the Food Inspector, Jharkhand against UML before the Judicial Magistrate, First Class, Seraikela in connection with the papad being supplied in the canteen of the UML’s factory being in violation of the Food Safety and Standards (Packaging and Labelling) Regulations, 2011. The matter is currently pending.

6. UML received a show cause notice on May 5, 2012 from Jharkhand State Pollution Control Board for excess production from iron and manganese mines in the years 2006-07 and 2007-08. UML's representative submitted a reply to the aforementioned show cause notice stating that the production was guided by the Indian Bureau of Mines, Ministry of Mines, Government of India ("**IBM**") and that the mining plans have been approved by IBM. Thereafter, the Regional Officer, Jharkhand State Pollution Control Board, filed a criminal complaint under Section 15 of the Environment Protection Act, 1986 against S.K. Singh, Agent of Mines, UML and Sunil Pander, Mines Manager, UML before the Court of Chief Judicial Magistrate at West Singhbhum, Jharkhand ("**CJM**") in respect to the same. The CJM by way of an order dated June 26, 2012 has summoned the above employees of UML to trial. The matter is currently pending. Further, S.K. Singh and Sunil Pandey filed an application before the High Court of Jharkhand, Ranchi for quashing the criminal proceedings initiated against them by the Regional Officer, Jharkhand State Pollution Control Board and the order of the CJM dated June 26, 2012. The matter is currently pending.
7. UML, through its security manager Tapas Sengupta, filed a complaint before the Barajamda Police Station against Tarini Apat on August 28, 2016, as a consequence of the latter entering the railway siding area of Vijay II Iron Ore Mines at Barajamda and damaging property, including the CCTV equipment. A charge sheet was also submitted by the Barajamda Police. Thereafter, a surrender-cum-bail petition along with vakalatnama was filed and moved on behalf of Tarini Apat before the Chief Judicial Magistrate, Chaibasa ("**CJM**"), and a compromise petition was also filed by Tapas Sengupta to settle their dispute. Thereafter, the CJM, *vide* order dated September 9, 2016, ordered that Tarini Apat be enlarged on bail, and further accepted the bail bond.

Other Matters

1. A writ petition has been filed by Pramanand Goud and certain other residents of Jhargovindpur before the High Court of Jharkhand against the State of Jharkhand, UML and others in connection with non-provision of employment to persons displaced due to the land acquisition at Jhargovindpur. The matter is currently pending.

GOVERNMENT AND OTHER APPROVALS

We are required to obtain certain approvals, registrations, permits and licenses under the provisions of various laws and regulations for conducting our business. Some of the approvals, registrations, permits and licenses that we require for our business operations may expire in the ordinary course of business, and we will apply for their renewal from time to time.

Stated below are the details of the material approvals applied for, as on the date of this Letter of Offer, but not yet received:

1. Our Company has filed an application for renewal of registration under the West Bengal Shops and Establishment Rules, 1964, for the liaison office of our Company situated at Kolkata, India.
2. Our Company has filed patent application with respect to manufacture of heat resistant paint composition.

Further, our Company is in the process of making renewal applications for the following:

1. Registration certificate for use of certain boilers under the Boilers Act, 1923.
2. No Objection Certificate under section 25 and 26 of the Water (Prevention & Control of Pollution) Act, 1974 and under section 21 of the Air (Prevention & Control of Pollution) Act, 1981 for coal mining at Sisai, Brinda Coal Block, Jharkhand.
3. Dealer's license for storage of minerals under the Jharkhand Mineral Dealer's Rules, 2007 at Bokna, Jharkhand.

Further, pursuant to the Acquisition, our Company has made fresh / transfer / change in name applications in relation to various approvals, licenses, consents, registrations and permissions, *inter alia* under the following laws:

1. The Air (Prevention & Control of Pollution) Act, 1981;
2. The Atomic Energy (Radiation Protection) Rules, 2004;
3. The Atomic Energy Act, 1962;
4. The Bio-Medical Waste Management Rules, 2016;
5. The Contract Labour (Regulation and Abolition) Act, 1970;
6. The Environment Protection Act, 1986;
7. The Factories Act, 1948;
8. The Food Safety and Standards Act, 2006;
9. The Forest (Conservation) Act, 1980;
10. The Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016;
11. The Indian Boilers Act, 1923;
12. The Indian Electricity Rules, 1956;
13. The Indian Explosives Act, 1884;
14. The Jharkhand Factories Rule 1950;

15. The Jharkhand Fire Service Act, 2007;
16. The Jharkhand Minerals (Prevention of Illegal Mining, Transportation and Storage) Rules, 2017;
17. The Jharkhand Tax on Professions, Trades, Callings and Employments Act, 2011;
18. The Legal Metrology Act, 2009;
19. The Metalliferous Mines Regulations, 1961;
20. The Mines and Minerals (Development and Regulation) Act, 1957;
21. The Petroleum Act, 1934;
22. The Static and Mobile Pressure Vessels (Unfired) Rules, 2016;
23. The Water (Prevention & Control of Pollution) Act, 1974.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by a resolution of the Board passed at its meeting held on October 24, 2018, pursuant to Section 62 of the Companies Act, 2013.

The Board, at its meeting held on (●), has determined the Issue Price, in consultation with the Lead Managers, to be Rs. (●) per Rights Equity Shares and the Rights Entitlement as (●) Rights Equity Share(s) for every (●) fully paid-up Equity Share, as held on the Record Date.

Our Company has received in-principle approvals from BSE and NSE pursuant to Regulation 28 of SEBI Listing Regulations for listing of the Rights Equity Shares to be Allotted in the Issue pursuant to letters dated (●) and (●), respectively.

Prohibition by SEBI

Our Company, the Promoter, the members of the Promoter Group and the Directors have not been or are not debarred from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Further, the Promoter and the Directors are not promoter or director of any other company which is debarred from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Neither the Promoter nor the Directors have been declared as a fugitive economic offender under section 12 of the Fugitive Economic Offenders Act, 2018 (17 of 2018).

Association of our Directors with the securities market

Our Directors are not associated with the securities market in any manner.

Prohibition by RBI

Neither the Company, nor the Promoter, nor the Directors have been or are identified as a Wilful Defaulter.

Compliance with Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations

Our Company is in compliance with the provisions specified in Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations as explained below:

1. Our Company has been filing periodic reports, statements and information in compliance with the Listing Agreement and SEBI Listing Regulations, as applicable, for the last three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange.
2. The reports, statements and information referred to above are available on the website of the Stock Exchanges.
3. The Company has investor grievance-handling mechanism which includes meeting of the Stakeholders' Relationship Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

As our Company satisfies the conditions specified in Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations and is not covered under the conditions specified in Clause (3) of Part B of Schedule VI of SEBI ICDR Regulations, disclosures in this Letter of Offer have been made in terms of Clause (5) of Part B of Schedule VI of SEBI ICDR Regulations.

Compliance with Regulation 61 and Regulation 62 of SEBI ICDR Regulations

Our Company is in compliance with the conditions specified in Regulation 61 of the SEBI ICDR Regulations, to the extent applicable.

Our Company is in compliance with the conditions specified in Regulation 62(1), to the extent applicable. Further, our Company shall ensure that the expenses to be incurred towards general corporate purposes as mentioned in the section titled “*Objects of the Issue*” beginning on 61 shall not exceed 25% of the gross proceeds of the Issue.

Compliance with Regulation 99 of SEBI ICDR Regulations

Our Company satisfies the following conditions specified in Regulation 99 and accordingly, our Company is eligible to make the Issue by way of a ‘fast track issue’:

1. the Equity Shares have been listed on BSE and NSE, each being a recognized stock exchange having nationwide trading terminals, for a period of at least three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
2. the entire shareholding of the Promoter Group is held in dematerialized form as on the date of filing this Letter of Offer with the Designated Stock Exchange;
3. the average market capitalization of the public shareholding of the Company is at least Rs. 25,000 lakhs;
4. the annualized trading turnover of the Equity Shares during six calendar months immediately preceding the month of the filing of this Letter of Offer with the Designated Stock Exchange has been at least 2% of the weighted average number of Equity Shares listed during such six months’ period;
5. the annualized delivery-based trading turnover of the Equity Shares during six calendar months immediately preceding the month of filing of this Letter of Offer with the Designated Stock Exchange has been at least 10% of the annualized trading turnover of the Equity Shares during such six months’ period;
6. the Company has been in compliance with the Listing Agreement and the provisions of SEBI Listing Regulations, as applicable, including with respect to the composition of the Board, for a period of at least three years immediately preceding the date of filing this Letter of Offer with the Designated Stock Exchange;
7. the Company has redressed at least 95% of the complaints received from the investors till the end of the quarter immediately preceding the month of the date of filing this Letter of Offer with the Designated Stock Exchange;
8. no show-cause notices have been issued or prosecution proceedings initiated by SEBI and pending against the Company or its Promoter or whole time directors, as on the date of filing this Letter of Offer with the Designated Stock Exchange;
9. neither our Company nor the Promoter nor members of the Promoter Group nor any of our Directors have settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI during three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
10. the Equity Shares of our Company have not been suspended from trading as a disciplinary measure during the last three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
11. there is no conflict of interest between the Lead Managers and the Company or its group companies in accordance with the applicable regulations;
12. the Promoter and Promoter Group shall mandatorily subscribe to their rights entitlement and shall not renounce their rights, except to the extent of renunciation within the Promoter Group or for the purpose of complying

with minimum public shareholding norms prescribed under the Securities Contracts (Regulation) Rules, 1957, as amended; and

13. there are no audit qualifications on the audited accounts of the Company in respect of those financial years for which such accounts are disclosed in this Letter of Offer.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF LETTER OF OFFER TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. THE LEAD MANAGER(S) HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI ICDR REGULATIONS IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER(S) IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER(S) HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED (●) WHICH READS AS FOLLOWS:

WE CONFIRM THAT:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION, INCLUDING COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL WHILE FINALISING THE LETTER OF OFFER OF THE SUBJECT ISSUE; COMPLIED WITH**
2. **ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION, CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**
 - (A) **THE LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS WHICH ARE MATERIAL TO THE ISSUE;**
 - (B) **ALL MATERIAL LEGAL REQUIREMENTS RELATING TO THE ISSUE AS SPECIFIED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (C) **THE MATERIAL DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 2013, SEBI ICDR REGULATIONS AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
3. **BESIDES OURSELVES, ALL INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT TILL DATE, SUCH REGISTRATION IS VALID. COMPLIED WITH**

4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. NOT APPLICABLE
5. WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING LETTER OF OFFER WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE LETTER OF OFFER. NOT APPLICABLE
6. ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, WHICH RELATE TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAVE BEEN AND SHALL BE DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION(S) HAVE BEEN MADE IN THE LETTER OF OFFER. NOT APPLICABLE
7. ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS WHICH RELATE TO RECEIPT OF PROMOTERS' CONTRIBUTION PRIOR TO OPENING OF THE ISSUE, SHALL BE COMPLIED WITH. ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE AND THAT THE AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE ISSUE. NOT APPLICABLE
8. NECESSARY ARRANGEMENTS SHALL BE MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE CREDITED OR TRANSFERRED TO IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES, AND THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. NOT APPLICABLE
9. THE EXISTING BUSINESS AS WELL AS ANY NEW BUSINESS OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED FALL WITHIN THE 'MAIN OBJECTS' IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED IN THE LAST TEN YEARS ARE VALID IN TERMS OF THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION. COMPLIED WITH
10. IN CASE OF A RIGHTS ISSUE DISCLOSURE HAS BEEN MADE IN THE LETTER OF OFFER THAT INVESTORS SHALL BE GIVEN AN OPTION TO RECEIVE THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE SINCE THE ALLOTMENT WILL TAKE PLACE AFTER MAY 10, 2019.
11. FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER:
 - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER, COMPLIED WITH AND
 - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH ALL DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD. COMPLIED WITH

12. WE SHALL COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENTS IN TERMS OF THE SEBI ICDR REGULATIONS. COMPLIED WITH AND NOTED FOR COMPLIANCE
13. IF APPLICABLE, THE ENTITY IS ELIGIBLE TO LIST ON THE INSTITUTIONAL TRADING PLATFORM IN TERMS OF THE PROVISIONS OF CHAPTER X OF SEBI ICDR REGULATIONS. NOT APPLICABLE
14. NONE OF THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY. COMPLIED WITH
15. THE COMPANY IS ELIGIBLE TO MAKE A FAST TRACK ISSUE IN TERMS OF REGULATION 99 OF THE SEBI ICDR REGULATIONS. THE FULFILMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT REGULATION BY THE COMPANY HAS ALSO BEEN DISCLOSED IN THE LETTER OF OFFER. COMPLIED WITH
16. THE ABRIDGED LETTER OF OFFER CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SEBI ICDR REGULATIONS. COMPLIED WITH
17. ALL MATERIAL DISCLOSURES IN RESPECT OF THE COMPANY HAVE BEEN MADE IN THE LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE COMPANY OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES / ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH THE PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN- COMPLIED WITH
18. AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE COMPANY- COMPLIED WITH.

WE ENCLOSE A NOTE EXPLAINING THE PROCESS OF DUE DILIGENCE THAT HAS BEEN EXERCISED BY US INCLUDING IN RELATION TO THE BUSINESS OF THE ISSUER, THE RISKS IN RELATION TO THE BUSINESS, EXPERIENCE OF THE PROMOTERS AND THAT THE RELATED PARTY TRANSACTIONS ENTERED INTO FOR THE PERIOD DISCLOSED IN THE LETTER OF OFFER HAVE BEEN ENTERED INTO BY THE ISSUER IN ACCORDANCE WITH APPLICABLE LAWS.

WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE LETTER OF OFFER WHERE SEBI ICDR REGULATIONS HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE OUR COMPANY FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER(S) ANY IRREGULARITIES OR LAPSES IN THIS LETTER OF OFFER.

Disclaimer from our Company and the Lead Managers

Our Company and the Lead Managers accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or any other material issued by or at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his / her own risk.

Investors who invest in the Issue will be deemed to have been represented to our Company and the Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Rights Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in the Issue.

CAUTION

Our Company and the Lead Managers shall make all information available to the Eligible Equity Shareholders and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Letter of Offer. You must not rely on any unauthorized information or representations. This Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Letter of Offer is current only as of its date.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue is BSE.

Disclaimer Clause of BSE

BSE has given, *vide* its letter dated (●) permission to the Issuer to use BSE's name in this Letter of Offer as one of the stock exchanges on which the Issuer's securities are proposed to be listed. BSE has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- take any responsibility for the financial or other soundness of this Company, its Promoter, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of NSE

As required, a copy of this letter of offer has been submitted to NSE. NSE has given *vide* its letter Ref. No. (●) dated (●) permission to the Issuer to use the NSE's name in this Letter of Offer as one of the stock exchanges on which the Issuer's securities are proposed to be listed. NSE has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Letter of Offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of

any of the contents of this Letter of Offer; nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Issuer, its Promoter, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of the Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Selling Restrictions

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making the Issue on a rights basis to the Eligible Equity Shareholders and will dispatch this Letter of Offer / Abridged Letter of Offer and CAF only to Eligible Equity Shareholders. No action has been or will be taken to permit the Issue in any jurisdiction, or the possession, circulation, or distribution of this Letter of Offer or any other material relating to our Company, the Rights Equity Shares or Rights Entitlement in any jurisdiction, where action would be required for that purpose, except that this Letter of Offer has been filed with SEBI.

Accordingly, the Rights Equity Shares and Rights Entitlement may not be offered or sold, directly or indirectly, and none of this Letter of Offer or any offering materials or advertisements in connection with the Rights Equity Shares or Rights Entitlement may be distributed or published in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer.

This Letter of Offer and its accompanying documents are being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

Our Company is making the Issue on a rights basis to the Eligible Equity Shareholders of our Company and will dispatch the Letter of Offer / Abridged Letter of Offer and CAF only to Eligible Equity Shareholders who have provided an Indian address to our Company. Those overseas Shareholders who do not update our records with their Indian address or the address of their duly authorized representative in India, prior to the date on which we propose to dispatch the Letter of Offer / Abridged Letter of Offer and CAFs, shall not be sent the Letter of Offer / Abridged Letter of Offer and CAFs.

If this Letter of Offer is received by any person in any jurisdiction where to do so would or might contravene local securities laws or regulation, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlement referred to in this Letter of Offer. Investors are advised to consult their legal counsel prior to applying for the Rights Entitlement and Rights Equity Shares or accepting any provisional allotment of Rights Equity Shares, or making any offer, sale, resale, pledge or other transfer of the Rights Equity Shares or Rights Entitlement.

Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or the date of such information or that the information contained herein is correct as of any time subsequent to this date or the date of such information.

Each person who exercises Rights Entitlement and subscribes for Rights Equity Shares or excess Rights Equity Shares, or who purchases Rights Entitlement or Rights Equity Shares shall do so in accordance with the restrictions set out below.

NO OFFER IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND RIGHTS EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE

“SECURITIES ACT”), OR ANY U.S. STATE SECURITIES LAWS. ACCORDINGLY, THE RIGHTS ENTITLEMENTS AND RIGHTS EQUITY SHARES REFERRED TO IN THIS LETTER OF OFFER ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S. THE OFFERING TO WHICH THIS LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY RIGHTS EQUITY SHARES OR RIGHTS ENTITLEMENT FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SECURITIES. ACCORDINGLY, THIS LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO THE UNITED STATES AT ANY TIME.

Neither our Company, nor any person acting on behalf of our Company, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company, or any person acting on behalf of our Company, has reason to believe is, in the United States of America when the buy order is made, envelopes containing a CAF should not be postmarked in the United States of America or otherwise dispatched from the United States of America or any other jurisdiction where it would be illegal to make an offer under the Letter of Offer. Our Company is making the Issue on a rights basis to the Eligible Equity Shareholders and will dispatch this Letter of Offer or Abridged Letter of Offer and CAF only to Eligible Equity Shareholders who have provided an Indian address to our Company. Any person who acquires Rights Entitlements or Rights Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Letter of Offer, that it is not and that at the time of subscribing for the Rights Equity Shares or the Rights Entitlements, it will not be, in the United States of America when the buy order is made, and (ii) is authorized to acquire the Rights Entitlement and the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Company, in consultation with the Lead Managers, reserves the right to treat as invalid any CAF which: (i) appears to our Company or its agents to have been executed in or dispatched from the United States of America; (ii) does not include the relevant certification set out in the CAF to the effect that the person accepting and / or renouncing the CAF does not have a registered address (and is not otherwise located) in the United States of America, and such person is complying with laws of jurisdictions applicable to such person in connection with the Issue, among others; (iii) where a registered Indian address is not provided; or (iv) where our Company believes acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to issue or allot any Rights Equity Shares in respect of any such CAFs.

NO OFFER IN ANY JURISDICTION OUTSIDE INDIA

NO OFFER OR INVITATION TO PURCHASE RIGHTS ENTITLEMENTS OR RIGHTS EQUITY SHARES IS BEING MADE IN ANY JURISDICTION OUTSIDE OF INDIA, INCLUDING, BUT NOT LIMITED TO AUSTRALIA, BAHRAIN, CANADA, THE EUROPEAN ECONOMIC AREA, GHANA, HONG KONG, INDONESIA, JAPAN, KENYA, KUWAIT, MALAYSIA, NEW ZEALAND, SULTANATE OF OMAN, PEOPLE'S REPUBLIC OF CHINA, QATAR, SINGAPORE, SOUTH AFRICA, SWITZERLAND, THAILAND, THE UNITED ARAB EMIRATES, THE UNITED KINGDOM AND THE UNITED STATES. THE OFFERING TO WHICH THIS LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY RIGHTS EQUITY SHARES OR RIGHTS ENTITLEMENT FOR SALE IN ANY JURISDICTION OUTSIDE INDIA OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SECURITIES. ACCORDINGLY, THIS LETTER OF OFFER SHOULD NOT BE FORWARDED TO OR TRANSMITTED IN OR INTO ANY OTHER JURISDICTION AT ANY TIME.

Experts

Our Company has received consent from its Statutory Auditors, Price Waterhouse & Co Chartered Accountants LLP through its letter dated (●) to include its name as required under Section 26 of the Companies Act, 2013 in this Letter of Offer in respect of the Financial Statements as an “expert” as defined under Section 2(38) of the Companies Act, 2013 and such consent has not been withdrawn as of the date of this Letter of Offer. However, the term “expert” shall not be construed to mean an “expert” as defined under the Securities Act, 1933.

Additionally, our Company has also received consent from Deloitte Haskins & Sells LLP, Chartered Accountants through its letter dated (●) to include its name as required under Section 26 of the Companies Act, 2013 in this Letter

of Offer in respect of the statement of tax Benefits as an “expert” as defined under Section 2(38) of the Companies Act, 2013 and such consent has not been withdrawn as of the date of this Letter of Offer. However, the term “expert” shall not be construed to mean an “expert” as defined under the Securities Act, 1933.

Filing

This Letter of Offer is being filed with the Designated Stock Exchange as per the provisions of SEBI ICDR Regulations. Further, in terms of Regulation 71(8) of SEBI ICDR Regulations, our Company will simultaneously while filing this Letter of Offer with the Designated Stock Exchange, submit a copy of this Letter of Offer with SEBI located at Plot No.C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051, Maharashtra and the Stock Exchanges.

Investor Grievances and Redressal System

Our Company has adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Agreement.

Our Company has a Stakeholders' Relationship Committee which currently comprises Sougata Ray (Chairperson), Prakash Chandra Parakh and Sanjay Kumar Pattnaik. The broad terms of reference include redressal of investors' complaints pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates etc. We have been registered with the SEBI Complaints Redress System (SCORES) as required by the SEBI Circular no. CIR/OIAE/2/2011 dated June 3, 2011. Consequently, investor grievances are tracked online by our Company.

The investor complaints received by our Company are disposed of within 15 days from the date of receipt of the complaint.

Registrar to the Issue

Link Intime India Private Limited

C-101, 247 Park

L B S Marg

Vikhroli (West)

Mumbai 400 083

Tel: +91 22 4918 6200

Fax: +91 22 4918 6195

E-mail: atasponge.rights@linkintime.co.in

Investor Grievance E-mail: atasponge.rights@linkintime.co.in

Website: www.linkintime.co.in

Contact Person: Sumeet Deshpande

SEBI Registration Number: INR000004058

Investors may contact our Chief Risk & Compliance Officer and Company Secretary or the Registrar in case of any pre-Issue / post-Issue related problems such as non-receipt of Allotment advice / demat credit / refund orders etc. The contact details of the Chief Risk & Compliance Officer and Company Secretary are as follows:

Sanjay Kasture

P.O. Joda, District Keonjhar

Odisha - 758 034

Tel: +91 67 6727 8178

E-mail: skasture@atasponge.com

SECTION VIII – OFFERING INFORMATION

TERMS OF THE ISSUE

This section is for the information of the ASBA Investors and Non-ASBA Investors proposing to subscribe to the Issue through the ASBA process and non-ASBA process, respectively. Our Company and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors who are eligible to apply under the ASBA process or non-ASBA process, as the case may be, are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form was available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. Since Allotment in this Issue will occur subsequent to May 10, 2019, the entitlement of Rights Equity Shares to be Allotted to the Applicants who have applied for Allotment of the Rights Equity Shares in physical form will be kept in abeyance in electronic mode by our Company until the Applicants provide details of their demat account particulars to the Registrar. Please refer to “Risk Factors – The entitlement of Rights Equity Shares to be allotted to investors applying for Allotment in physical form, may be kept in abeyance.” on page 35.

Overview

The Rights Equity Shares proposed to be issued on a rights basis, are subject to the terms and conditions contained in the Letter of Offer, the Abridged Letter of Offer, the CAF, the SAF, the Memorandum of Association and the Articles of Association of our Company, and the provisions of the Companies Act, FEMA, the guidelines, notifications, circulars and regulations issued by SEBI, the guidelines, notifications and regulations for the issue of capital and for listing of securities issued by the Government of India and other statutory and regulatory authorities from time to time, approvals, if any from the RBI or other regulatory authorities, the SEBI Listing Regulations and terms and conditions as stipulated in the allotment advice or security certificate.

The ASBA Facility

Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations read with the provisions of the SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011 (the “2011 ASBA Circular”) and the SEBI circular SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009 (the “2009 ASBA Circular”), all Applicants / Investors other than Retail Individual Investors complying with the conditions mentioned therein, must mandatorily invest in the Issue through the ASBA process, unless otherwise permitted by regulatory authorities or under applicable law. All Retail Individual Investors complying with such eligibility conditions have the option to apply through the ASBA process or the non-ASBA process. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renounees and Eligible Equity Shareholders holding Equity Shares in physical form are not eligible ASBA Investors and must apply for Rights Equity Shares only through the non-ASBA process, irrespective of the Application amounts / Applicant category. ASBA Investors should note that the ASBA process involves application procedures that may be different from the procedure applicable to non-ASBA process. ASBA Investors should carefully read the provisions applicable to such applications before making their application through the ASBA process. For details, see “Terms of the Issue - Procedure for Application through the ASBA Process” beginning on page 242.

Please note that subject to SCSBs complying with the requirements of SEBI Circular CIR/CFD/DIL/13/2012 dated September 25, 2012, within the periods stipulated therein, ASBA Applications may be submitted at all Designated Branches of the SCSBs.

Further, in terms of the SEBI Circular CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by SCSBs on their own account using ASBA facility, SCSBs should have a separate account in their own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in the Issue and clear demarcated funds should be available in such account for ASBA applications.

Renounees

All rights / obligations of the Eligible Equity Shareholders in relation to Application and refunds pertaining to this Issue shall apply to the Renounee(s) as well.

Authority for the Issue

This Issue to our Eligible Equity Shareholders with a right to renounce is being made pursuant to a resolution passed by the Board of Directors on October 24, 2018, pursuant to Section 62 of the Companies Act.

Basis for the Issue

The Rights Equity Shares are being offered for subscription for cash to the existing Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in dematerialised form and on the register of members of our Company in respect of the Equity Shares held in physical form at the close of business hours on the Record Date, decided in consultation with the Designated Stock Exchange.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in the dematerialised form or appears in the register of members as an Eligible Equity Shareholder of our Company in respect of the Equity Shares held in physical form as on the Record Date, you are entitled to the number of Equity Shares as set out in Part A of the CAF.

The distribution of the Letter of Offer / Abridged Letter of Offer and the issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession the Letter of Offer, Abridged Letter of Offer or CAF may come are required to inform themselves about and observe such restrictions. Our Company is making the issue of Rights Equity Shares on a rights basis to the Eligible Equity Shareholders and the Letter of Offer / Abridged Letter of Offer and the CAFs will be dispatched only to those Eligible Equity Shareholders who have a registered address in India or who have provided an Indian address. Any person who acquires Rights Entitlements or Rights Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer / Abridged Letter of Offer and the CAFs, that it is not and that at the time of subscribing for the Rights Equity Shares or the Rights Entitlements, it will not be in any restricted jurisdiction.

The Rights Entitlement on the Equity Shares, the ownership of which is currently under dispute, including any court proceedings and or currently under transmission or are held in a demat suspense account pursuant to the Regulation 39 of the SEBI Listing Regulations, and for which our Company has withheld the dividend, shall be held in abeyance and the CAFs in relation to these Rights Entitlement shall not be dispatched pending resolution of the dispute / completion of the transmission. On submission of such documents / records confirming the legal and beneficial ownership of the Equity Shares with regard to these cases, to the satisfaction of the Issuer, before the Issue Closing Date, the Issuer shall make available the Rights Entitlement on such Equity Shares to the identified Eligible Equity Shareholder. The identified Eligible Equity Shareholder shall be entitled to subscribe to the Rights Equity Shares with respect to these Rights Entitlement before the Issue Closing Date at the Issue Price of Rs. (●) per Rights Equity Share as adjusted for any bonus shares, consolidation or spilt of shares (as may be applicable) in accordance with the provisions of the Companies Act, 2013 and all other applicable laws.

PRINCIPAL TERMS OF THE ISSUE

Face Value

Each Rights Equity Share will have the face value of Rs. 10.

Issue Price

Each Rights Equity Share is being offered at a price of Rs. (●) per Rights Equity Share (including a premium of Rs.

(●) per Rights Equity Share).

The Board, at its meeting held on (●), has determined the Issue Price, in consultation with the Lead Managers.

The Issue Price and other relevant conditions are in accordance with Regulation 10(4) of the SEBI Takeover Regulations.

Rights Entitlement Ratio

The Rights Equity Shares are being offered on a rights basis to the Eligible Equity Shareholders in the ratio of (●) Rights Equity Shares for every (●) Equity Shares held by the Eligible Equity Shareholders as on the Record Date.

Terms of Payment

Full amount of Rs. (●) per Rights Equity Share is payable on Application.

Pursuant to the RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the stock invest scheme has been withdrawn and accordingly, payment through stock invest will not be accepted in the Issue.

Where an applicant has applied for additional Rights Equity Shares and is allotted lesser number of Rights Equity Shares than applied for, the excess Application Money paid shall be refunded. The monies would be refunded within 15 (fifteen) days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Fractional Entitlements

The Rights Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of (●) Rights Equity Share for every (●) Equity Shares held as on the Record Date. For Rights Equity Shares being offered in this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than (●) Equity Shares or not in the multiple of (●) Equity Shares, the fractional entitlement of such Eligible Equity Shareholders shall be ignored in the computation of the Rights Entitlement. However, Eligible Equity Shareholders whose fractional entitlements are being ignored as above would be given preference in the Allotment of one additional Rights Equity Share each if they apply for additional Rights Equity Shares over and above their Rights Entitlement, if any. However, they cannot renounce the same in favour of any third parties.

Further, the Eligible Equity Shareholders holding less than (●) Equity Share and therefore entitled to 'zero' Rights Equity Shares under this Issue, shall be dispatched a CAF with zero entitlement. Such Eligible Equity Shareholders shall be entitled to apply for additional Rights Equity Shares and would be given preference in the allotment of 1 (One) additional Rights Equity Share (if they apply for additional Rights Equity Shares). However, they cannot renounce the same in favour of third parties and the CAF with zero entitlement shall be non-negotiable / non-renounceable.

Ranking

The Rights Equity Shares to be issued and Allotted pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and the Articles of Association of our Company. The Rights Equity Shares to be issued and Allotted under the Issue shall rank *pari passu* with the existing Equity Shares, in all respects including dividends.

Mode of payment of dividend

In the event of declaration of dividend, our Company shall pay dividend to the Eligible Equity Shareholders as per the provisions of the Companies Act and the provisions of the Articles of Association.

Listing and trading of the Rights Equity Shares to be issued pursuant to the Issue

Our existing Equity Shares are currently listed and traded on BSE (Scrip Code: 513010) and NSE (Scrip Code: TATASPONGE) under the ISIN: INE674A01014. The Rights Equity Shares proposed to be issued pursuant to the Issue shall, in terms of the master circular for depositories dated December 15, 2016, issued by SEBI, be Allotted under a temporary ISIN and shall be frozen till the time final listing / trading approval is granted by the Stock Exchanges. Upon receipt of such listing and trading approval, the Rights Equity Shares proposed to be issued pursuant to the Issue shall be debited from such temporary ISIN and credited in the existing ISIN and thereafter be available for trading under the existing ISIN as fully paid-up Equity Shares of our Company.

The listing and trading of the Rights Equity Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

The Rights Equity Shares allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of the necessary formalities for listing and commencement of trading of the Rights Equity Shares shall be taken within seven Working Days of finalization of basis of allotment. Our Company has received in-principle approval from BSE by way of a letter no. (●) dated (●) and from NSE by way of a letter no. (●) dated (●).

Our Company will apply to BSE and NSE for final approval for the listing and trading of the Rights Equity Shares. No assurance can be given regarding the active or sustained trading in the Rights Equity Shares or the price at which the Rights Equity Shares offered under the Issue will trade after the listing thereof.

If permissions to list and deal in the Rights Equity Shares are not granted by BSE and / or NSE, our Company will forthwith repay, without interest, all moneys received from the Applicants in pursuance of the Letter of Offer. If such money is not repaid beyond eight days after our Company becomes liable to repay it, that is, the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 days from the Issue Closing Date in case no permission is granted, whichever is earlier, then our Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as applicable.

Subscription to the Issue by the Promoter

Our Promoter, by way of its letter dated June 8, 2019 (the “**Promoter Letter**”) has undertaken to subscribe to the full extent of its Rights Entitlement in the Issue. In addition to subscription to its Rights Entitlement, our Promoter has reserved the right to subscribe to additional Rights Equity Shares for any unsubscribed portion in the Issue, up to the extent permitted by SEBI as specified below.

Pursuant to a SEBI letter dated May 24, 2019, SEBI has permitted our Promoter to subscribe to additional Rights Equity Shares in the Issue and exceed the maximum non-public shareholding requirement of 75% in order to achieve the minimum subscription requirements in the Issue, i.e. 90% of the Issue Size, under the SEBI ICDR Regulations. As a result of such additional subscription, the shareholding of our Promoter may exceed 75% of the post-Issue capital of our Company and our Company will be required to reduce such shareholding of the Promoter to comply with SEBI Listing Regulations and SCRR in such manner and within the time period (which is currently within one year from the date of Allotment) as prescribed by SEBI.

For further details of under subscription and Allotment to the Promoter, please refer to “*Terms of the Issue – Basis of Allotment*” on page 268.

Rights of Holders of Rights Equity Shares of our Company

Subject to applicable laws, holders of Rights Equity Shares shall have the following rights:

1. The right to receive dividend, if declared;
2. The right to vote in person, or by proxy;
3. The right to receive offers for rights shares and be allotted bonus shares, if announced;
4. The right to receive surplus on liquidation;

5. The right of free transferability of Equity Shares;
6. The right to attend general meetings of our Company and exercise voting powers in accordance with law and unless prohibited by law; and
7. Such other rights as may be available to a shareholder of a listed public company under the Companies Act, the Memorandum of Association and the Articles of Association.

General Terms of the Issue

Market Lot

The Equity Shares of our Company are tradable only in dematerialized form. The market lot for Rights Equity Shares in dematerialized mode is one (1) Equity Share.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as the joint holders with the benefit of survivorship subject to the provisions contained in the Articles of Association.

Nomination

As the Allotment of Rights Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Rights Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the investor would prevail. Any investor desirous of changing the existing nomination is requested to inform its respective DP.

Arrangements for Disposal of Odd Lots

Our Equity Shares are traded in dematerialized form only and therefore the marketable lot is one Equity Share and hence, no arrangements for disposal of odd lots are required.

Notices

All notices to the Eligible Equity Shareholder(s) required to be given by our Company shall be published in one English language national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one Odia language daily newspaper with wide circulation (Odia being the regional language of Odisha, where our Registered and Corporate Office is situated) and / or will be sent by post to the registered address of the Eligible Equity Shareholders in India or the Indian address provided by the Equity Shareholders from time to time.

Offer to Non-Resident Eligible Equity Shareholders / Investors

As per Regulation 6 of the FEMA Regulations, the RBI has given general permission to Indian companies to issue rights equity shares to non-resident shareholders including additional rights equity shares. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by the RBI, non-residents may, *inter alia*, (i) subscribe for additional shares over and above their rights entitlement; (ii) renounce the shares offered to them either in full or part thereof in favour of a person named by them; or (iii) apply for the shares renounced in their favour. Applications received from NRIs and non-residents for allotment of Rights Equity Shares shall be, *inter alia*, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of Application Money, Allotment of Rights Equity Shares and issue of Allotment advice. **The Abridged Letter of Offer and CAF shall be dispatched to non-resident Eligible Equity Shareholders at their Indian address only.** If an NR or NRI Investor has specific approval from RBI, in connection with his shareholding, he should enclose a copy of such approval with the Application Form. Our Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by the RBI while approving the allotment of Rights Equity Shares. The Rights Equity Shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable

to the original Equity Shares against which Rights Equity Shares are issued on rights basis.

CAFs will be made available for eligible NRIs at our Registered Office and with the Registrar to the Issue.

In case of change of status of holders i.e. from Resident to Non-Resident, a new demat account must be opened.

DETAILS OF SEPARATE COLLECTING CENTRES FOR NON-RESIDENT APPLICATIONS SHALL BE PRINTED ON THE CAF

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Eligible Equity Shareholder being an OCB is required to obtain prior approval from RBI for applying in the Issue.

PROCEDURE FOR APPLICATION

How to Apply

The CAF for the Rights Equity Shares offered as part of the Issue would be printed for all Eligible Equity Shareholders. The CAFs to non-resident Eligible Equity Shareholders shall be sent only to their Indian address, if provided, and shall not be dispatched to any Eligible Equity Shareholders whose addresses are outside of India.

In case the original CAFs are not received by the Eligible Equity Shareholder or is misplaced by the Eligible Equity Shareholder, the Eligible Equity Shareholder may request the Registrar, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID, Client ID and their full name and Indian address. However, if the Registrar receives any request for issue of duplicate CAF from Eligible Equity Shareholders having return addresses situated in the United States, the Registrar shall duly forward the requests to our Company and shall not be responsible for dispatch of duplicate CAF to such Eligible Equity Shareholders. In case the signature of the Investor(s) does not match with the specimen registered with our Company, the Application is liable to be rejected.

Please note that neither our Company nor the Registrar shall be responsible for delay in the receipt of the CAF or the duplicate CAF attributable to postal delays or if the CAF or the duplicate CAF are misplaced in the transit. Eligible Equity Shareholders should note that those who are making the application in such duplicate CAF should not utilize the original CAF for any purpose, including renunciation, even if the original CAF is received or found subsequently. If any Eligible Equity Shareholder violates any of these requirements, he/she shall face the risk of rejection of both the Applications.

Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations read with the provisions of the 2011 ASBA Circular and the 2009 ASBA Circular, all Applicants / Investors other than Retail Individual Investors complying with the eligibility conditions mentioned therein, must mandatorily invest in the Issue through the ASBA process, unless otherwise permitted by regulatory authorities or under applicable law. All Retail Individual Investors complying with such eligibility conditions have the option to apply through the ASBA process or the non-ASBA process. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding Equity Shares in physical form are not eligible ASBA Investors and must apply for Rights Equity Shares only through the non-ASBA process, irrespective of the Application amounts / Applicant category.

CAF

The Registrar will dispatch the CAF along with the Abridged Letter of Offer to the Eligible Equity Shareholders as of the Record Date. The CAFs to non-resident Eligible Equity Shareholders shall be sent only to their Indian address, if provided, and shall not be dispatched to any Eligible Equity Shareholders whose addresses are outside of India. The CAF will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to. Eligible Equity Shareholders who have neither received the original CAF nor are in a position to obtain the duplicate CAF may participate in the Issue by making plain paper Applications. Please note that Eligible Equity Shareholders making an application in the Issue using plain paper shall not be permitted to renounce any portion of their Rights

Entitlement. For further details, see “*Terms of the Issue - Application on Plain Paper under ASBA process*” and “*Terms of the Issue - Application on Plain Paper under non-ASBA process*” beginning on pages 244 and 257, respectively.

The CAF consists of four parts:

Part A: Form for accepting the Rights Equity Shares offered as a part of this Issue, in full or in part, and for applying for additional Rights Equity Shares;

Part B: Form for renunciation of Rights Equity Shares;

Part C: Form for application of Rights Equity Shares by Renouncee(s); and

Part D: Form for request for Split Application Forms.

Option available to the Eligible Equity Shareholders

The CAFs will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to.

The Eligible Equity Shareholders can:

1. Apply for their Rights Entitlement of Rights Equity Shares in full;
2. Apply for their Rights Entitlement of Rights Equity Shares in part (without renouncing the other part);
3. Apply for their Rights Entitlement of Rights Equity Shares in part and renounce the other part of the Rights Equity Shares;
4. Apply for their Rights Entitlement in full and apply for additional Rights Equity Shares; and
5. Renounce their Rights Entitlement in full.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Eligible Equity Shareholder, the Registrar will issue a duplicate CAF on the request of the investor who should furnish the registered folio number or DP and Client ID number and his / her full name and Indian address to the Registrar. However, if the Registrar receives any request for issue of duplicate CAF from Eligible Equity Shareholders having return addresses situated in the United States, the Registrar shall duly forward the requests to our Company and shall not be responsible for dispatch of duplicate CAF to such Eligible Equity Shareholders. Please note that the request for duplicate CAF should reach the Registrar at least seven days prior to the Issue Closing Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received or found, as the case may be, subsequently. If the investor violates such requirements, he / she shall face the risk of rejection of both the Applications. Our Company or the Registrar to the Issue or the Lead Managers will not be responsible for postal delays or loss of duplicate CAF in transit, if any.

Procedure for Application through the ASBA Process

The procedure for application through the ASBA process is set out below:

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA process. Our Company and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors who are eligible to apply under the ASBA process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

The Lead Managers, our Company, its directors, its employees, affiliates, associates and their respective directors

and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Applications uploaded by SCSBs, the amount payable on Application by the Eligible Equity Shareholders has been blocked in the relevant ASBA Account.

Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all Designated Branches of the SCSBs.

Self Certified Syndicate Banks

For the list of banks which have been notified by SEBI to act as SCSBs for the ASBA process, please refer to <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>. For details on Designated Branches of SCSBs collecting the CAF, please refer the above mentioned link.

Eligible Equity Shareholders who are eligible to apply under the ASBA Process

As per Regulation 76 of the SEBI ICDR Regulations read with the provisions of the 2011 ASBA Circular and the 2009 ASBA Circular, the option of applying for Rights Equity Shares in the Issue through the ASBA Process is only available to the Eligible Equity Shareholders of our Company on the Record Date and who:

1. hold the Equity Shares in dematerialised form as on the Record Date and are applying towards their Rights Entitlements or additional Rights Equity Shares in the Issue in dematerialised form;
2. have not renounced any portion of their Rights Entitlements;
3. are not a Renouncee;
4. are applying through a bank account maintained with an SCSB; and
5. are eligible under applicable securities laws to subscribe for the Rights Entitlement and the Rights Equity Shares in the Issue.

All Investors other than Retail Individual Investors complying with the above conditions must participate in this Issue through the ASBA process only.

Acceptance of the Issue

ASBA Investors may accept the Issue and apply for the Rights Equity Shares either in full or in part, by filling up Part A of the respective CAFs sent by the Registrar, selecting the ASBA payment mechanism in Part A of the CAF. Application in electronic mode will only be available with such SCSBs who provide such facility.

ASBA Investors shall submit the CAF to the Designated Branch of the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board in this regard for authorising such SCSB to block an amount equivalent to the amount payable on the application in their ASBA Account.

More than one ASBA Investor may apply using the same ASBA Account, provided that the SCSBs will not accept a total of more than five Applications (including CAFs and plain paper) with respect to any single ASBA Account.

Additional Rights Equity Shares

ASBA Investors are eligible to apply for additional Rights Equity Shares over and above their Rights Entitlement, provided that they are eligible to apply for Rights Equity Shares under applicable law and they have applied for all the Rights Equity Shares forming part of their Rights Entitlement without renouncing them in whole or in part in

favour of any other person(s). Applications for additional Rights Equity Shares shall be considered and Allotment shall be made in accordance with the SEBI ICDR Regulations and in the manner prescribed under the section “*Terms of the Issue - Basis of Allotment*” on page 268.

If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part A of the CAF.

Renunciation under the ASBA Process

ASBA Investors can neither be Renounees, nor can they renounce their Rights Entitlement.

Application on Plain Paper under ASBA process

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is eligible to apply under the ASBA process may make an Application to subscribe to the Issue on plain paper and the Eligible Equity Shareholders should submit the same with the SCSB. Applications on plain paper will not be accepted from any address outside India. The envelope should be superscribed “**TATA SPONGE IRON LIMITED - RIGHTS ISSUE**” and should be postmarked in India. The Application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with our Company or the Depositories, must reach the Designated Branch of the SCSB before the Issue Closing Date and should contain the following particulars:

1. Name of our Company, being Tata Sponge Iron Limited;
2. Name and Indian address of the Eligible Equity Shareholder including joint holders;
3. Registered DP and Client ID No.;
4. Number of Equity Shares held as on Record Date in dematerialised form only;
5. Allotment option – only dematerialised form;
6. Number of Rights Equity Shares entitled to;
7. Number of Rights Equity Shares applied for within the Rights Entitlement;
8. Number of additional Rights Equity Shares applied for, if any;
9. Total number of Rights Equity Shares applied for;
10. Total amount paid at the rate of Rs. (●) per Rights Equity Share;
11. Details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB;
12. In case of NR Eligible Equity Shareholders making an application from an Indian address, details of the NRE/FCNR/NRO Account such as the account;
13. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
14. Authorisation to the Designated Branch of the SCSB to block an amount equivalent to the Application Money in the ASBA Account;
15. Signature of the Applicant (in case of joint holders, to appear in the same sequence and order as they appear in

the records of our Company or the Depositories); and

16. Additionally, all such Applicants are deemed to have accepted the following:

Purchaser Representations and Transfer Restrictions by Persons in the United States and by U.S. Persons

The Rights Equity Shares and Rights Entitlements have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) or to U.S. Persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Rights Equity Shares and Rights Entitlements are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Any person in the United States or a U.S. Person acquiring the Rights Entitlements and / or Rights Equity Shares must have provided to our Company (and our Company must have accepted) a duly executed Investor Representation Letter confirming the following representations, warranties and undertakings; and by its acceptance of this Letter of Offer / Abridged Letter of Offer or of the Rights Entitlements or Rights Equity Shares, will be deemed to have declared, represented, warranted and agreed with our Company and the Lead Managers as follows:

- *It will comply with all laws, regulations and restrictions (including the transfer restrictions contained herein) which may be applicable in your jurisdiction and it has obtained or will obtain any consent, approval or authorization required for it to purchase and accept delivery of Rights Entitlements and / or Equity Shares, and it acknowledges and agrees that none of us or the Lead Managers and their respective affiliates shall have any responsibility in this regard;*
- *It understands and agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer understands and agrees) that the Rights Entitlements and / or Rights Equity Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, the Rights Entitlements and Rights Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be reoffered, resold, renounced, pledged or otherwise transferred except in an offshore transaction in reliance on Regulation S and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction in which such offers or sales are made;*
- *It is not an affiliate of our Company or a person acting on behalf of an affiliate;*
- *It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, are purchasing the Rights Equity Shares as a result of any general solicitation or general advertising (as defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act). The Rights Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Rights Equity Shares and agree that such securities may not be deposited into any unrestricted depository facility established or maintained by any depository bank;*
- *It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Rights Entitlements and / or Rights Equity Shares. It is experienced in investing in private placement transactions of securities of companies in similar jurisdictions. It and any accounts for it is subscribing to the Rights Entitlements and / or Rights Equity Shares for (i) are each able to bear the economic risk of the investment in the Rights Entitlements and / or Rights Equity Shares, (ii) will not look to the Company or the Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Rights Equity Shares, (iv) have no need for liquidity with respect to the investment in the Rights Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise,*

which may cause or require any sale or distribution by it or them of all or any part of the Rights Entitlements and / or Rights Equity Shares. It acknowledges that an investment in the Rights Entitlements and / or Rights Equity Shares involves a high degree of risk and that the Rights Entitlements and / or Rights Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Rights Entitlements and / or Rights Equity Shares in this Issue for its own investment and not with a view to distribution.

- *It will notify any transferee to whom it subsequently offers, sells, renounces, pledges or otherwise transfers and the executing broker and any other agent involved in any resale of the Rights Entitlements and / or Rights Equity Shares of the foregoing restrictions applicable to the Rights Entitlements and / or Rights Equity Shares and instruct such transferee, broker or agent to abide by such restrictions.*
- *It acknowledges that our Company will not recognize any offer, sale, renunciation, pledge or other transfer of such Rights Entitlements and / or Rights Equity Shares made other than in compliance with the above-stated restrictions; and*
- *It acknowledges that our Company, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its acquisition of Rights Entitlements and the Rights Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such Rights Entitlements and / or Rights Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.*

Other Purchaser Representations and Transfer Restrictions

Any person who acquires Rights Entitlements and / or Rights Equity Shares outside the United States and is not a U.S. Person, by its acceptance of this Letter of Offer / Abridged Letter of Offer or of the Rights Entitlements or Rights Equity Shares, will be deemed to have declared, represented, warranted and agreed with our Company and the Lead Managers as follows:

- *It will comply with all laws, regulations and restrictions (including the transfer restrictions contained herein) which may be applicable in your jurisdiction and it has obtained or will obtain any consent, approval or authorization required for it to purchase and accept delivery of Rights Entitlements and / or Equity Shares, and it acknowledges and agrees that none of us or the Lead Managers and their respective affiliates shall have any responsibility in this regard;*
- *It is not a U.S. Person (as defined in Regulation S under the Securities Act);*
- *It certifies that it is, or at the time the Rights Entitlements and / or Rights Equity Shares are purchased will be, (a) the beneficial owner of such Rights Entitlements and / or Rights Equity Shares, it is located outside the United States of America (within the meaning of Regulation S), and it has not purchased the Rights Entitlements and / or Rights Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of Rights Entitlements and / or Rights Equity Shares or an economic interest therein to any person in the United States; or (b) it is a broker-dealer acting on behalf of a customer and its customer has confirmed to it that (i) such customer is, or at the time the Rights Entitlements and / or Rights Equity Shares are purchased will be, the beneficial owner of such Rights Entitlements and / or Rights Equity Shares, (ii) such customer is located outside the United States of America (within the meaning of Regulation S), and (iii) such customer has not purchased the Rights Entitlements and / or Rights Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Rights Entitlements and / or Rights Equity Shares or an economic interest therein to any person in the United States;*
- *It understands and agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer understands and agrees) that the Rights Entitlements and / or Rights Equity Shares are*

being offered in a transaction not involving any public offering within the meaning of the Securities Act, have not been and will not be registered under the Securities Act or any state securities laws in the United States; if, in the future, it decides to offer, resell, renounce, pledge or otherwise transfer such Rights Entitlements and / or Rights Equity Shares, or any economic interest therein, such Rights Entitlements and / or Rights Equity Shares or any economic interest therein may be offered, sold, renounced, pledged or otherwise transferred only (A) to a purchaser not known by it to be a U.S. Person; (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act; and (C) in accordance with all applicable laws, including the securities laws of the States of the United States and any other jurisdiction in which such offers or sales are made;

- *It is not an affiliate of our Company or a person acting on behalf of an affiliate;*
- *It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, are purchasing the Equity Shares as a result of any general solicitation or general advertising (as defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act);*
- *It will base its investment decision on a copy of the Letter of Offer and the Abridged Letter of Offer. It acknowledges that neither the Company nor any of its affiliates nor any other person (including the Lead Manager) or any of their respective affiliates has made or will make any representations, express or implied, to it with respect to the Company, the Issue, the Rights Entitlements and / or Rights Equity Shares, the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Issue or the Rights Entitlements and / or Rights Equity Shares, other than (in the case of the Company only) the information contained in the Letter of Offer and the Abridged Letter of Offer, as it may be supplemented;*
- *It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Rights Entitlements and / or Rights Equity Shares. It is experienced in investing in private placement transactions of securities of companies in similar jurisdictions. It and any accounts for it is subscribing to the Rights Entitlements and / or Rights Equity Shares for (i) are each able to bear the economic risk of the investment in the Rights Entitlements and / or Rights Equity Shares, (ii) will not look to the Company or the Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Rights Equity Shares, (iv) have no need for liquidity with respect to the investment in the Rights Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Rights Entitlements and / or Rights Equity Shares. It acknowledges that an investment in the Rights Entitlements and / or Rights Equity Shares involves a high degree of risk and that the Rights Entitlements and / or Rights Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Rights Entitlements and / or Rights Equity Shares in this Issue for its own investment and not with a view to distribution.*
- *It will notify any transferee to whom it subsequently offers, sells, renounces, pledges or otherwise transfers and the executing broker and any other agent involved in any resale of the Rights Entitlements and / or Rights Equity Shares of the foregoing restrictions applicable to the Rights Entitlements and / or Rights Equity Shares and instruct such transferee, broker or agent to abide by such restrictions.*
- *It acknowledges that our Company will not recognize any offer, sale, renunciation, pledge or other transfer of such Rights Entitlements and / or Rights Equity Shares made other than in compliance with the above-stated restrictions; and*
- *It acknowledges that our Company, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its acquisition of Rights Entitlements and the Rights Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such Rights Entitlements and / or Rights Equity Shares as a fiduciary*

or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an application being rejected, with our Company, the Lead Managers and the Registrar not having any liability to the Investor. The plain paper Application format will be available on the website of the Registrar at www.linkintime.co.in.

Mode of payment under the ASBA process

The investor applying under the ASBA process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on Application, in the Investor's ASBA Account.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the Application Money mentioned in the CAF until the Transfer Date. On the Transfer Date, upon receipt of intimation from the Lead Managers and the Registrar, of the receipt of minimum subscription and pursuant to the finalization of the Basis of Allotment as approved by the Designated Stock Exchange, the SCSBs shall transfer such amount as per the Lead Managers, our Company and the Registrar's instruction from the ASBA Account into the Allotment Account which shall be a separate bank account maintained by our Company, other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act. The balance amount remaining after the finalisation of the Basis of Allotment on the Transfer Date shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar, our Company and the Lead Managers to the respective SCSB.

The Investors applying under the ASBA process would be required to give instructions to the respective SCSBs to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the ASBA Account, details of which have been provided by the investor in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the Application by the SCSB, our Company would have a right to reject the Application only on technical grounds as set forth hereinafter.

Options available to the Eligible Equity Shareholders applying under the ASBA Process

The summary of options available to the Investors is presented below. You may exercise any of the following options with regard to the Rights Equity Shares, using the CAF:

Sr. No.	Option Available	Action Required
1.	Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A of the CAF (<i>All joint holders must sign in the same sequence</i>)
2.	Accept your Rights Entitlement in full and apply for additional Rights Equity Shares.	Fill in and sign Part A of the CAF, including Block III relating to the acceptance of entitlement and Block IV relating to additional Rights Equity Shares (<i>All joint holders must sign in the same sequence</i>)

The Eligible Equity Shareholders applying under the ASBA Process will need to select the ASBA option process in the CAF and provide necessary details as required. However, in cases where this option is not selected, but the CAF is tendered to the Designated Branch of the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then those CAFs would be treated as if the Eligible Equity Shareholders have selected to apply through the ASBA process option.

Option to receive Rights Equity Shares in Dematerialized Form

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA INVESTOR ON THE RECORD DATE.

General instructions for Investors applying under the ASBA Process

- (a) Please read the instructions printed on the respective CAF carefully.
- (b) Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of the Letter of Offer and Abridged Letter of Offer are liable to be rejected. The CAF must be filled in English.
- (c) ASBA Investors are required to select ASBA option / mechanism in Part A of the CAF and provide necessary details, including details of the ASBA Account, authorization to the SCSB to block an amount equal to the Application Money in the ASBA Account mentioned in the CAF, and including the signature of the ASBA Account holder if the ASBA Account holder is different from the Applicant.
- (d) In case of non-receipt of CAF, application can be made on plain paper mentioning all necessary details as mentioned under the section “*Terms of the Issue - Application on Plain Paper under ASBA process*” on page 244.
- (e) The Applications in the ASBA process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the Application and not to the Bankers to the Issue or Escrow Collection Banks (assuming that such Escrow Collection Bank is not a SCSB), to our Company or the Registrar or the Lead Managers.
- (f) All Applicants, and in the case of Application in joint names, each of the joint Applicants, should mention their PAN allotted under the Income-tax Act, irrespective of the amount of the application. Except for applications on behalf of the Central or the State Government, the residents of Sikkim and the officials appointed by the courts, **Applications without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be “suspended for credit” and no Allotment and credit of Rights Equity Shares pursuant to the Issue shall be made into the accounts of such Investors.**
- (g) All payments will be made only by blocking the amount in the ASBA Account. Cash payment or payment by cheque or demand draft or pay order or NEFT or RTGS or through any other mode is not acceptable. In case payment is made in contravention of this, the Application will be deemed invalid and the Application Money will be refunded, and no interest will be paid thereon.
- (h) Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in any such language or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his / her official seal. The Investors must sign the Application as per the specimen signature recorded with our Company or the Depositories.
- (i) In case of joint holders, all joint holders must sign the relevant part of the CAF / plain paper Application in the same order and as per the specimen signature(s) recorded with our Company or the Depositories. In case of joint Applicants, reference, if any, will be made in the first Applicant’s name and all communication will be addressed to the first Applicant.
- (j) All communication in connection with Application for the Rights Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar prior to the date of Allotment in the Issue quoting the name of the first / sole Applicant, folio numbers and CAF number. In case of any change in address of the Eligible Equity Shareholders, the Eligible Equity Shareholders should also send the intimation for such change to the respective depository participant.

- (k) Only the Eligible Equity Shareholders to whom the Rights Equity Shares have been offered and not Renouncee(s) shall be eligible to participate under the ASBA process.
- (l) Only persons outside the United States and other restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Rights Equity Shares under applicable securities laws are eligible to participate.
- (m) Only the Eligible Equity Shareholders holding shares in demat are eligible to participate through the ASBA process.
- (n) Eligible Equity Shareholders who have renounced their entitlement in part or in full are not entitled to apply using the ASBA process.
- (o) Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations read with the provisions of the 2011 ASBA Circular and the 2009 ASBA Circular, all Applicants / Investors other than Retail Individual Investors complying with the eligibility conditions mentioned therein, must mandatorily invest in the Issue through the ASBA process, unless otherwise permitted by regulatory authorities or under applicable law. All Retail Individual Investors complying with such eligibility conditions have the option to apply through the ASBA process or the non-ASBA process. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding Equity Shares in physical form are not eligible ASBA Investors and must apply for Rights Equity Shares only through the non-ASBA process, irrespective of the Application amounts / Applicant category.
- (p) Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all Designated Branches of the SCSBs.
- (q) Eligible Equity Shareholders are required to ensure that the number of Rights Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.

Do's:

- (a) Ensure that the ASBA process option is selected in Part A of the CAF and necessary details are filled in.
- (b) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Rights Equity Shares will be Allotted in the dematerialized form only.
- (c) Ensure that the Applications are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the Application.
- (d) Ensure that there are sufficient funds (equal to {number of Rights Equity Shares applied for} X {Issue Price of Rights Equity Shares}) available in the ASBA Account mentioned in the Application before submitting the Application to the respective Designated Branch of the SCSB.
- (e) Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the ASBA Account, of which details are provided in the Application and have signed the same.
- (f) Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the CAF in physical form or plain paper Application.
- (g) Except for Application submitted on behalf of the Central or the State Government, residents of Sikkim and the officials appointed by the courts, each Applicant should mention their PAN allotted under the Income-tax Act.
- (h) Ensure that the name(s) given in the Application is exactly the same as the name(s) in which the beneficiary

account is held with the Depository Participant. In case the Application is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application.

- (i) Ensure that the demographic details such as address, bank account details for printing on refund orders and occupation (“**Demographic Details**”) are updated, true and correct, in all respects.
- (j) Ensure that the account holder in whose bank account the funds are to be blocked has signed the Application authorising such funds to be blocked.

Don'ts:

- (a) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- (b) Do not apply on duplicate CAF after you have submitted a CAF nor submit the CAF after you have submitted a plain paper Application to a Designated Branch of the SCSB.
- (c) Do not pay the amount payable on application in cash, by money order, pay order or postal order.
- (d) Do not send your physical Application to the Lead Managers, the Registrar to the Issue, the Escrow Collection Banks (assuming that such Escrow Collection Bank is not a SCSB), a branch of the SCSB which is not a Designated Branch of the SCSB or our Company; instead submit the same to a Designated Branch of the SCSB only.
- (e) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- (f) Do not apply if the ASBA account has been used for five Applicants, for the issue of each instrument under the Issue.
- (g) Do not apply through the ASBA process if you are not an ASBA Investor.
- (h) Do not instruct the SCSBs to unblock the funds blocked under the ASBA process.

Grounds for Technical Rejection under the ASBA Process

In addition to the grounds listed under section “*Terms of the Issue - Grounds for Technical Rejections for non ASBA Investors*” beginning on page 267, Applications under the ABSA process are liable to be rejected on the following grounds:

- (a) Application on a SAF.
- (b) Application for allotment of Rights Entitlements or additional Rights Equity Shares which are in physical form.
- (c) DP ID and Client ID mentioned in Application not matching with the DP ID and Client ID records available with the Registrar.
- (d) Sending an ASBA Application to Lead Managers, Registrar, Escrow Collecting Banks (assuming that such Escrow Collecting Bank is not a SCSB), to a branch of a SCSB which is not a Designated Branch of the SCSB or our Company.
- (e) Renounee applying under the ASBA process.
- (f) Sending an ASBA Application on plain paper to any person other than a Designated Branch of an SCSB.
- (g) Submission of more than five Applications per ASBA Account, calculated separately for each issue.

- (h) Insufficient funds are available with the SCSB for blocking the Application Money.
- (i) Funds in the ASBA Account whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- (j) Account holder not signing the Application or declaration mentioned therein.
- (k) CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in the United States or any other restricted jurisdiction and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.
- (l) Applications which have evidence of being executed in or dispatched from any restricted jurisdiction.
- (m) Multiple CAFs, including cases where an investor submits CAFs along with a plain paper Application.
- (n) Application by an Eligible Equity Shareholder, where the cumulative value of Rights Equity Shares applied for is more than Rs. 200,000 but has applied separately through split CAFs of less than Rs. 200,000 and has not done so through the ASBA process.
- (o) Submitting the GIR number instead of the PAN.
- (p) Applications by persons not competent to contract under the Indian Contract Act, 1872, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories.
- (q) ASBA Applications by SCSB on own account, other than through an ASBA Account in its own name with any other SCSB.
- (r) Applications by Applicants ineligible to make applications through the ASBA process, made through the ASBA process.
- (s) ASBA Investors who have a bank account with an SCSB providing ASBA facility in the location of the ASBA Investors and the Application by the ASBA Investors is not made through that SCSB providing ASBA facility in such location.
- (t) Failure to mention an Indian address in the Application. Application with foreign address shall be liable to be rejected.
- (u) If an investor is (a) debarred by SEBI or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the investor to subscribe to their Rights Entitlement.'

Depository account and bank details for investors applying under the ASBA Process

IT IS MANDATORY FOR ALL THE INVESTORS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR RIGHTS EQUITY SHARES IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT / CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY THE INVESTOR AS ON THE RECORD DATE. ALL INVESTORS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DP ID AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. INVESTORS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF OR PLAIN PAPER APPLICATIONS, AS THE CASE MAY BE.

Investors applying under the ASBA process should note that on the basis of name of these investors, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF or the plain paper Applications, as the case may be, the Registrar to the Issue will obtain Demographic Details from the Depository. Hence, investors applying under the ASBA process should carefully fill in their Depository Account details in the Application.

These Demographic Details would be used for all correspondence with such investors including mailing of the letters intimating unblocking of bank account of the respective Investor. The Demographic Details given by the investors in the CAF would not be used for any other purposes by the Registrar. Hence, investors are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the investors applying under the ASBA process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Details as available on its records.

The Allotment advice and the letters intimating unblocking of ASBA Account or refund (if any) would be mailed at the address of the investor applying under the ASBA process as per the Demographic Details received from the Depositories. The Registrar will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Rights Equity Shares are not Allotted to such Investor. Investors applying under the ASBA process may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the investor in the CAF would be used only to ensure dispatch of letters intimating unblocking of the ASBA Accounts.

Note that any such delay shall be at the sole risk of the ASBA Investors and none of our Company, the SCSBs, Registrar or the Lead Managers shall be liable to compensate the ASBA Investor for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the ASBA Investors (including the order of names of joint holders), (b) the DP ID, and (c) the beneficiary account number, then such applications are liable to be rejected.

Multiple Applications

A separate Application can be made in respect of each scheme of a Mutual Fund registered with SEBI and such Applications shall not be treated as multiple applications. In cases where multiple CAFs are submitted, including cases where an investor submits CAFs along with a plain paper Application or multiple plain paper Applications, such Applications shall be treated as multiple applications and are liable to be rejected.

Procedure for Application through Non-ASBA Process

This section is for the information of the Non-ASBA Investors proposing to subscribe to the Issue through the non-ASBA process. Our Company and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Letter of Offer. Investors who are eligible to apply under the non-ASBA process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations read with the provisions of the 2011 ASBA Circular and the 2009 ASBA Circular, all Applicants / Investors other than Retail Individual Investors complying with the eligibility conditions mentioned therein, must mandatorily invest in the Issue through the ASBA process, unless otherwise permitted by regulatory authorities or under applicable law. All Retail Individual Investors complying with such eligibility conditions have the option to apply through the ASBA process or the non-ASBA process. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding Equity Shares in physical form are not eligible ASBA Investors and must apply for Rights Equity Shares only through the non-ASBA process, irrespective of the Application amounts / Applicant category.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form was available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. Since Allotment in this Issue will occur subsequent to May 10, 2019, the entitlement of Rights Equity Shares to be Allotted to the Applicants who have applied for Allotment of the Rights Equity Shares in physical form will be kept in abeyance in electronic mode by our Company until the Applicants provide details of their demat account particulars to the Registrar. Also, see “Risk Factors – The entitlement of Rights Equity Shares to be allotted to investors applying for Allotment in physical form, may be kept in abeyance.” on page 35.

Acceptance of the Issue

You may accept the offer to participate and apply for the Rights Equity Shares, either in full or in part, by filling up the applicable Part A of the CAF and submit the same along with the Application Money payable to the Escrow Collection Bank or any of the collection centres as mentioned on the reverse of the CAF, before close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board in this regard. Non-ASBA Investors at centres not covered by the collection branches of the Escrow Collection Bank can send their CAF together with the cheque drawn at par or a demand draft payable at Mumbai to the Registrar by registered post so as to reach the Registrar prior to the Issue Closing Date. Please note that neither our Company nor the Lead Managers or the Registrar shall be responsible for delay in the receipt of the CAF / SAF attributable to postal delays or if the CAF / SAF is misplaced in the transit. Such applications sent to anyone other than the Registrar are liable to be rejected.

In case of non-receipt of CAF, application can be made on plain paper mentioning all necessary details as mentioned under the section “*Terms of the Issue - Application on Plain Paper under ASBA process*” on page 244. For further details on the mode of payment, see “*Terms of the Issue - Mode of Payment for Resident Investors*” and “*Terms of the Issue - Mode of Payment for Non-Resident Investors*” beginning on pages 261 and 262, respectively.

Additional Rights Equity Shares

You are eligible to apply for additional Rights Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply for such Rights Equity Shares under applicable law and have applied for all the Rights Equity Shares offered to you without renouncing them in whole or in part in favour of any other person(s). Applications for additional Rights Equity Shares shall be considered and Allotment shall be made in accordance with the SEBI ICDR Regulations and in the manner prescribed under the section “*Terms of the Issue - Basis of Allotment*” on page 268.

If you desire to apply for additional Rights Equity Shares, please indicate your requirement in the place provided for additional Rights Equity Shares in Part A of the CAF. Renouncee(s) applying for all the Rights Equity Shares renounced in their favour may also apply for additional Rights Equity Shares.

Where the number of additional Rights Equity Shares applied for exceeds the number of Rights Equity Shares available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

The Issue includes a right exercisable by the Eligible Equity Shareholders to renounce the Rights Equity Shares offered to you either in full or in part in favour of any other person or persons. Non-ASBA Investors who are Renouncees cannot further renounce their entitlement. Your attention is drawn to the fact that our Company shall not Allot and / or register the Rights Equity Shares in favour of the following Renouncees: (i) more than three persons (including joint holders); (ii) partnership firm(s) or their nominee(s); (iii) minors; (iv) HUF; or (v) any trust or society (unless the same is registered under the Societies Registration Act, 1860, as amended or the Indian Trust Act, 1882, as amended or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold Equity Shares, as the case may be). Additionally, the Eligible Equity Shareholders may not renounce their Rights Entitlement in favour of “U.S. Persons” (as defined in Regulation S) or persons or entities in the United States, or persons or entities which would otherwise be prohibited from being offered or subscribing for Rights Equity Shares or Rights Entitlement under applicable securities laws in the United States or any other jurisdiction or as otherwise

contemplated in this Letter of Offer / Abridged Letter of Offer.

The right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the application from the Renounees without assigning any reason thereof.

Procedure for renunciation

The following procedure applies to renunciation by the Eligible Equity Shareholders of their Rights Entitlement.

To renounce all the Rights Equity Shares offered to an Eligible Equity Shareholder in favour of one Renounee

If you wish to renounce your Rights Entitlement indicated in Part 'A', in whole, please complete Part 'B' of the CAF. In case of joint holding, all joint holders must sign Part 'B' of the CAF in the same order. The person in whose favour renunciation has been made should complete and sign Part 'C' of the CAF. In case of joint Renounees, all joint Renounees must sign Part 'C' of the CAF.

To renounce in part / or whole to more than one Renounee

If you wish to either (i) accept this offer in part and renounce the balance, or (ii) renounce the entire offer under the Issue in favour of two or more Renounees, the CAF must be first split into requisite number of forms. Please indicate your requirement of SAFs in the space provided for this purpose in Part 'D' of the CAF and return the entire CAF to the Registrar so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs as provided herein. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed. In case the signature of the Eligible Equity Shareholder(s), who has renounced the Rights Equity Shares, does not match with the specimen registered with our Company or the Depositories, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Rights Equity Shares are renounced should fill in and sign Part 'C' of the CAF and submit the entire CAF to the Banker(s) to the Issue or any of the collection branches as mentioned on the reverse of the CAF on or before the Issue Closing Date along with the Application Money in full.

Change and / or introduction of additional holders

If you wish to apply for Rights Equity Shares jointly with any other person(s), not more than three including you, who is or are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed. However, this right of renunciation is subject to the express condition that our Board shall be entitled in its absolute discretion to reject the request for Allotment from the Renounee(s) without assigning any reason thereof.

Instructions for Each Options

The summary of options available to the Eligible Equity Shareholder is presented below. You may exercise the following options, as applicable with regard to the Rights Equity Shares offered, using the CAF.

Sr. No.	Option Available	Action Required
1.	Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A (<i>All joint holders must sign in the same sequence</i>)
2.	Accept your Rights Entitlement in full and apply for additional Rights Equity Shares.	Fill in and sign Part A, including Block III relating to the acceptance of entitlement and Block IV relating to additional Rights Equity Shares (<i>All joint holders must sign in the same sequence</i>)

3.	<p>Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s)</p> <p>OR</p> <p>Renounce your entire Rights Entitlement with respect to the Rights Equity Shares offered to you to more than one Renouncee</p>	<p>Fill in and sign Part D (<i>All joint holders must sign in the same sequence</i>) requesting for SAFs. Send the CAF to the Registrar so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once.</p> <p>On receipt of the SAF take action as indicated below.</p> <p>(i) For the Rights Equity Shares you wish to accept, if any, fill in and sign Part A.</p> <p>(ii) For the Rights Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Rights Equity Shares renounced and hand it over to the Renouncees.</p> <p>(iii) Each Renouncee should fill in and sign Part C for the Rights Equity Shares accepted by them.</p>
4.	<p>Renounce your Rights Entitlement in full to one person (<i>Joint Renouncees are considered as one</i>).</p>	<p>Fill in and sign Part B (<i>All joint holders must sign in the same sequence</i>) indicating the number of Rights Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>)</p>
5.	<p>Introduce a joint holder or change the sequence of joint holders</p>	<p>This will be treated as renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.</p>

In case of Equity Shares held in physical form, Applicants must provide information in the CAF as to their respective bank account numbers and name of the bank where their account is held, to enable the Registrar to print the said details on the refund order. Failure to comply with this may lead to rejection of application. In case of Equity Shares held in dematerialised form, bank account details furnished by the Depositories will be printed on the refund order.

Please note that:

1. Options (3), (4) and (5) will not be available for Eligible Equity Shareholders applying through ASBA process.
2. Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholder to whom the Abridged Letter of Offer / CAF has been addressed. If used, this will render the application invalid. No part of the CAF except Part C, may be used by any person(s) other than the Eligible Equity Shareholder to whom the Abridged Letter of Offer / CAF has been addressed. If used, this will render the Application invalid.
3. Request for each SAF should be made for a minimum of one Rights Equity Share, in multiples thereof and one SAF for the balance Rights Equity Shares, if any.
4. Request by the Non-ASBA Investor for the SAF should reach the Registrar latest by the close of business hours on the last date of receiving requests for SAFs as provided herein.
5. Only the Eligible Equity Shareholder to whom the Abridged Letter of Offer / CAF has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.
6. The SAF will be sent to the Non-ASBA Investor(s) by post at the Non-ASBA Investors' risk at their Indian addresses available with our Company.
7. Eligible Equity Shareholders may not renounce in favour of persons or entities who would otherwise be prohibited from being offered or subscribing for Rights Equity Shares or Rights Entitlement under applicable laws.
8. Submission of the CAF to the Escrow Collection Bank at its collecting branches specified on the reverse of the

CAF with the form of renunciation (Part B of the CAF) duly filled in shall be conclusive evidence for use of the Renouncee(s) applying for Equity Shares in Part C of the CAF to receive Allotment of such Equity Shares.

9. While renouncing their Rights Entitlement, all joint Eligible Equity Shareholders must sign the CAF / SAF and in the same order and as per specimen signatures recorded with our Company or the Depositories.
10. Non-resident Eligible Equity Shareholders: Application(s) received from non-resident Eligible Equity Shareholder or NRIs, or persons of Indian origin residing abroad for Allotment of Rights Equity Shares Allotted as a part of the Issue shall, amongst other things, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, Allotment of Rights Equity Shares, subsequent issue and Allotment of Rights Equity Shares, interest, etc. In case a non-resident Eligible Equity Shareholder or an NRI has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
11. Non-ASBA Investors must write their CAF / SAF number at the back of the cheque / demand draft, issued in each case.
12. RBI has mandated that CTS 2010 standard non-compliant cheques can be present in clearing only in a reduced frequency, i.e., once a week. This may have an impact on timelines for the issuance of the final certificate by the Escrow Collection Banks. Hence, the CAF / SAF accompanied by non-CTS cheques could get rejected.
13. Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are permitted subject to compliance with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements or certain other conditions, then the prior approval of the RBI will be required.

Application on Plain Paper under non-ASBA process

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with an account payee cheque / demand draft payable at Mumbai, net of bank and postal charges payable at par and the investor should send the same by registered post directly to the Registrar to the Issue. For details of the mode of payment, see “*Terms of the Issue - Modes of Payment*” on page 261. Applications on plain paper from any address outside India will not be accepted. The envelope should be superscribed “**TATA SPONGE IRON LIMITED - RIGHTS ISSUE**” and should be postmarked in India. The application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with our Company or the Depositories, must reach the office of the Registrar before the Issue Closing Date and should contain the following particulars:

1. Name of our Company, being Tata Sponge Iron Limited;
2. Name and Indian address of the Eligible Equity Shareholder including joint holders;
3. Registered Folio Number / DP and Client ID No.;
4. Share certificate numbers and distinctive numbers of Equity Shares, if held in physical form;
5. Number of Equity Shares held as on Record Date;
6. Allotment option preferred - only demat form (including DP ID and Client ID);
7. Number of Rights Equity Shares entitled to;
8. Number of Rights Equity Shares applied for within the Rights Entitlement;
9. Number of additional Rights Equity Shares applied for, if any;

10. Total number of Rights Equity Shares applied for;
11. Total amount paid at the rate of Rs. (●) per Rights Equity Share;
12. Particulars of cheque / demand draft;
13. Savings or current account number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order. In case of Equity Shares held in dematerialized form, the Registrar shall obtain the bank account details from the information available with the Depositories;
14. Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to the Issue;
15. If the payment is made by a draft purchased from NRE / FCNR / NRO account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE / FCNR / NRO account;
16. Signature of the Applicant (in case of joint holders, to appear in the same sequence and order as they appear in the records of our Company / Depositories); and
17. Additionally, all such Applicants are deemed to have accepted the following:

Purchaser Representations and Transfer Restrictions by Persons in the United States and by U.S. Persons

The Rights Equity Shares and Rights Entitlements have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Any person in the United States or a U.S. Person acquiring the Rights Entitlements and / or Rights Equity Shares must have provided to our Company (and our Company must have accepted) a duly executed investor Representation Letter confirming the following representations, warranties and undertakings; and by its acceptance of this Letter of Offer / Abridged Letter of Offer or of the Rights Entitlements or Rights Equity Shares, will be deemed to have declared, represented, warranted and agreed with our Company and the Lead Managers as follows:

- *It will comply with all laws, regulations and restrictions (including the transfer restrictions contained herein) which may be applicable in your jurisdiction and it has obtained or will obtain any consent, approval or authorization required for it to purchase and accept delivery of Rights Entitlements and / or Equity Shares, and it acknowledges and agree that none of us or the Lead Managers and their respective affiliates shall have any responsibility in this regard;*
- *It understands and agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer understands and agrees) that the Rights Entitlements and / or Rights Equity Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, the Rights Entitlements and Rights Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be reoffered, resold, renounced, pledged or otherwise transferred except in an offshore transaction in reliance on Regulation S and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction in which such offers or sales are made;*
- *It is not an affiliate of our Company or a person acting on behalf of an affiliate;*
- *It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, are purchasing*

the Rights Equity Shares as a result of any general solicitation or general advertising (as defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act). The Rights Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Rights Equity Shares and agree that such securities may not be deposited into any unrestricted depository facility established or maintained by any depository bank;

- *It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Rights Entitlements and / or Rights Equity Shares. It is experienced in investing in private placement transactions of securities of companies in similar jurisdictions. It and any accounts for it is subscribing to the Rights Entitlements and / or Rights Equity Shares for (i) are each able to bear the economic risk of the investment in the Rights Entitlements and / or Rights Equity Shares, (ii) will not look to the Company or the Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Rights Equity Shares, (iv) have no need for liquidity with respect to the investment in the Rights Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Rights Entitlements and / or Rights Equity Shares. It acknowledges that an investment in the Rights Entitlements and / or Rights Equity Shares involves a high degree of risk and that the Rights Entitlements and / or Rights Equity Shares are, therefore, a speculative investment. It is seeking to subscribe to the Rights Entitlements and / or Rights Equity Shares in this Issue for its own investment and not with a view to distribution.*
- *It will notify any transferee to whom it subsequently offers, sells, renounces, pledges or otherwise transfers and the executing broker and any other agent involved in any resale of the Rights Entitlements and / or Rights Equity Shares of the foregoing restrictions applicable to the Rights Entitlements and / or Rights Equity Shares and instruct such transferee, broker or agent to abide by such restrictions.*
- *It acknowledges that our Company will not recognize any offer, sale, renunciation, pledge or other transfer of such Rights Entitlements and / or Rights Equity Shares made other than in compliance with the above-stated restrictions; and*
- *It acknowledges that our Company, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its acquisition of Rights Entitlements and the Rights Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such Rights Entitlements and / or Rights Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.*

Other Purchaser Representations and Transfer Restrictions

Any person who acquires Rights Entitlements and / or Rights Equity Shares outside the United States and is not a U.S. Person, by its acceptance of this Letter of Offer / Abridged Letter of Offer or of the Rights Entitlements or Rights Equity Shares, will be deemed to have declared, represented, warranted and agreed with our Company and the Lead Managers as follows:

- *It will comply with all laws, regulations and restrictions (including the transfer restrictions contained herein) which may be applicable in your jurisdiction and it has obtained or will obtain any consent, approval or authorization required for it to purchase and accept delivery of Rights Entitlements and / or Equity Shares, and it acknowledges and agrees that none of us or the Lead Managers and their respective affiliates shall have any responsibility in this regard;*
- *It is not a U.S. Person (as defined in Regulation S under the Securities Act);*

- *It certifies that it is, or at the time the Rights Entitlements and / or Rights Equity Shares are purchased will be, (a) the beneficial owner of such Rights Entitlements and / or Rights Equity Shares, it is located outside the United States of America (within the meaning of Regulation S), and it has not purchased the Rights Entitlements and / or Rights Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of Rights Entitlements and / or Rights Equity Shares or an economic interest therein to any person in the United States; or (b) it is a broker-dealer acting on behalf of a customer and its customer has confirmed to it that (i) such customer is, or at the time the Rights Entitlements and / or Rights Equity Shares are purchased will be, the beneficial owner of such Rights Entitlements and / or Rights Equity Shares, (ii) such customer is located outside the United States of America (within the meaning of Regulation S), and (iii) such customer has not purchased the Rights Entitlements and / or Rights Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Rights Entitlements and / or Rights Equity Shares or an economic interest therein to any person in the United States;*
- *It understands and agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer understands and agrees) that the Rights Entitlements and / or Rights Equity Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, have not been and will not be registered under the Securities Act or any state securities laws in the United States; if, in the future, it decides to offer, resell, renounce, pledge or otherwise transfer such Rights Entitlements and / or Rights Equity Shares, or any economic interest therein, such Rights Entitlements and / or Rights Equity Shares or any economic interest therein may be offered, sold, renounced, pledged or otherwise transferred only (A) to a purchaser not known by it to be a U.S. Person; (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act; and (C) in accordance with all applicable laws, including the securities laws of the States of the United States and any other jurisdiction in which such offers or sales are made;*
- *It is not an affiliate of our Company or a person acting on behalf of an affiliate;*
- *It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that neither it, nor any of its affiliates, nor any person acting on its behalf, are purchasing the Equity Shares as a result of any general solicitation or general advertising (as defined in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act);*
- *It will base its investment decision on a copy of the Letter of Offer and the Abridged Letter of Offer. It acknowledges that neither the Company nor any of its affiliates nor any other person (including the Lead Manager) or any of their respective affiliates has made or will make any representations, express or implied, to it with respect to the Company, the Issue, the Rights Entitlements and / or Rights Equity Shares, the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Issue or the Rights Entitlements and / or Rights Equity Shares, other than (in the case of the Company only) the information contained in the Letter of Offer and the Abridged Letter of Offer, as it may be supplemented;*
- *It is a sophisticated investor and has such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Rights Entitlements and / or Rights Equity Shares. It is experienced in investing in private placement transactions of securities of companies in similar jurisdictions. It and any accounts for it is subscribing to the Rights Entitlements and / or Rights Equity Shares for (i) are each able to bear the economic risk of the investment in the Rights Entitlements and / or Rights Equity Shares, (ii) will not look to the Company or the Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Rights Equity Shares, (iv) have no need for liquidity with respect to the investment in the Rights Equity Shares, and (v) have no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Rights Entitlements and / or Rights Equity Shares. It acknowledges that an investment in the Rights Entitlements and / or Rights Equity Shares involves a high degree of risk and that the Rights Entitlements and / or Rights Equity Shares*

are, therefore, a speculative investment. It is seeking to subscribe to the Rights Entitlements and / or Rights Equity Shares in this Issue for its own investment and not with a view to distribution.

- *It will notify any transferee to whom it subsequently offers, sells, renounces, pledges or otherwise transfers and the executing broker and any other agent involved in any resale of the Rights Entitlements and / or Rights Equity Shares of the foregoing restrictions applicable to the Rights Entitlements and / or Rights Equity Shares and instruct such transferee, broker or agent to abide by such restrictions.*
- *It acknowledges that our Company will not recognize any offer, sale, renunciation, pledge or other transfer of such Rights Entitlements and / or Rights Equity Shares made other than in compliance with the above-stated restrictions; and*
- *It acknowledges that our Company, the Lead Manager, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its acquisition of Rights Entitlements and the Rights Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such Rights Entitlements and / or Rights Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.*

Please note that Eligible Equity Shareholders who are making an application otherwise than on a CAF (i.e. on plain paper as stated above) shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Eligible Equity Shareholder violates such requirements, he / she shall face the risk of rejection of both the Applications. Our Company shall refund such application amount to the Eligible Equity Shareholder without any interest thereon and no liability shall arise on part of our Company, Lead Managers and our Directors. In cases where multiple CAFs are submitted, including cases where an investor submits CAFs along with a plain paper Application, such applications shall be liable to be rejected.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an application being rejected, with our Company, the Lead Managers and the Registrar not having any liability to the Investor. The plain paper Application format will be available on the website of the Registrar to the Issue at www.linkintime.co.in.

Modes of Payment

A separate cheque / demand draft / pay order must accompany each Application.

All payments should be made by cheque / demand draft / pay order drawn on any bank, (including a cooperative bank), which is situated at and is a member or a sub-member of the bankers clearing house located at the center where the CAF is accepted. Outstation cheques / money orders/postal orders will not be accepted and CAFs accompanied by such cheque / money orders/postal orders are liable to be rejected. The Registrar to the Issue will not accept any payments against applications, if such payments are made in cash.

In terms of the RBI circular (No. DPSS.CO.CHD.No./133/04.07.05/2013-14) dated July 16, 2013, non-CTS cheques will be processed in three CTS centres once a week from November 1, 2014 onwards. Investors are advised to use CTS cheques. Investors are cautioned that CAFs accompanied by non-CTS cheques are liable to be rejected due to any delay in clearing beyond 6 (six) working days from the Issue Closing Date.

Mode of payment for Resident investors

1. All cheques / demand drafts accompanying the CAF should be drawn in favour of “**TATA SPONGE IRON LIMITED–RIGHTS ISSUE-R**” crossed ‘A/c Payee only’ and should be submitted along with the CAF to the Bankers to the Issue or to the Registrar to the Issue on or before the Issue Closing Date;
2. Only investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with an account payee cheque

drawn on a bank payable at par / at Mumbai, pay order / demand draft for the full application amount, net of bank and postal charges drawn in favour of “**TATA SPONGE IRON LIMITED–RIGHTS ISSUE-R**”, crossed ‘A/c Payee only’ and payable at par, directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The envelope should be superscribed “**TATA SPONGE IRON LIMITED–RIGHTS ISSUE**”. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any. The CAF along with the application money must not be sent to our Company or the Lead Manager. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Investors

As regards the application by Non-Resident Investor, the following conditions shall apply:

1. Individual Non-Resident Indian Applicants who are permitted to subscribe for Rights Equity Shares by applicable local securities laws can obtain application forms from the following address:

Registrar to the Issue

Link Intime India Private Limited

C-101, 247 Park

L B S Marg

Vikhroli (West)

Mumbai 400 083

Tel: +91 22 4918 6200

Fax: +91 22 4918 6195

E-mail: tatasponge.rights@linkintime.co.in

Investor Grievance e-mail: tatasponge.rights@linkintime.co.in

Website: www.linkintime.co.in

Contact Person: Sumeet Deshpande

SEBI Registration Number: INR000004058

Note: The Letter of Offer / Abridged Letter of Offer and CAFs to NRIs shall be sent only to their Indian address, if provided.

2. Applications will not be accepted from Non-Resident Indian in any jurisdiction where the offer or sale of the Rights Entitlements and Rights Equity Shares may be restricted by applicable securities laws.
3. Non-Resident Investors applying from places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with demand draft for the full application amount, net of bank and postal charges drawn in favour of “**TATA SPONGE IRON LIMITED–RIGHTS ISSUE–NR**”, crossed ‘A/c Payee only’ payable at par, in case of non-resident shareholder applying on non-repatriation basis and in favour of “**TATA SPONGE IRON LIMITED–RIGHTS ISSUE–R**”, crossed ‘A/c Payee only’ payable at par, in case of non-resident shareholder applying on repatriation basis, directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The envelope should be superscribed “**TATA SPONGE IRON LIMITED–RIGHTS ISSUE**”. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.
4. Payment by Non-Residents must be made by demand draft, / cheque drawn on bank account maintained with the Escrow Collection Banks or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

1. By Indian Rupee drafts purchased from abroad and payable at par / at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
2. By separate cheque / draft drawn on an NRE or FCNR Account; or

3. By Rupee draft purchased by debit to NRE / FCNR Account maintained elsewhere in India and payable at par / at Mumbai;
4. FPIs registered with SEBI must utilize funds from special non-resident rupee account;
5. Non-Resident Investors with repatriation benefits should draw the cheques / demand drafts payable at par / at Mumbai in favour of “*TATA SPONGE IRON LIMITED–RIGHTS ISSUE–R*”, crossed ‘A/c Payee only’ for the full application amount, net of bank and postal charges and which should be submitted along with the CAF to the Bankers to the Issue / collection centres or to the Registrar to the Issue;
6. Applicants should note that where payment is made through drafts purchased from NRE / FCNR / NRO account as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE / FCNR / NRO account should be enclosed with the CAF. In the absence of such an account debit certificate, the application shall be considered incomplete and is liable to be rejected.

Application without repatriation benefits

1. As far as Non-Residents holding Equity Shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account or Rupee draft purchased out of NRO Account maintained elsewhere in India but payable at par / at Mumbai. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.
2. Non-Resident Investors without repatriation benefits should draw the cheques / demand drafts in favour of “*TATA SPONGE IRON LIMITED–RIGHTS ISSUE–NR*”, crossed ‘A/c Payee only’ for the full application amount, net of bank and postal charges and which should be submitted along with the CAF to the Bankers to the Issue / collection centres or to the Registrar to the Issue;
3. Applicants should note that where payment is made through drafts purchased from NRE / FCNR / NRO accounts, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE / FCNR / NRO account should be enclosed with the CAF. In the absence of such an account debit certificate, the application shall be considered incomplete and is liable to be rejected.
4. An Eligible Equity Shareholder whose status has changed from resident to non-resident should open a new demat account reflecting the changed status. Any application from a demat account which does not reflect the accurate status of the Applicant is liable to be rejected at the sole discretion of our Company and the Lead Managers.

Notes:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to the Income-tax Act.
- In case Rights Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Rights Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Bankers to the Issue indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from Non-Residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines / rules prescribed by the RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

General instructions for Non-ASBA Investors

1. Please read the instructions printed on the CAF carefully.
2. Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations read with the provisions of the 2011 ASBA Circular and the 2009 ASBA Circular, all Applicants / Investors other than Retail Individual Investors complying with the conditions mentioned therein, must mandatorily invest in the Issue through the ASBA process, unless otherwise permitted by regulatory authorities or under applicable law. All Retail Individual Investors complying with such eligibility conditions have the option to apply through the ASBA process or the non-ASBA process. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding Equity Shares in physical form are not eligible ASBA Investors and must apply for Rights Equity Shares only through the non-ASBA process, irrespective of the Application amounts / Applicant category.
3. Application should be made on the printed CAF, provided by our Company except as mentioned under the section "*Terms of the Issue - Application on Plain Paper under non-ASBA process*" on page 257 and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the investors, details of occupation, address, father's or husband's name must be filled in block letters.
4. The CAF together with the cheque or demand draft should be sent to the Bankers to the Issue or the Escrow Collection Banks or to the Registrar in case of applicants applying from place where collection centre not provided by Escrow Collection Banks so as to reach before the close of banking hours on or before the Issue Closing Date and not to our Company or the Lead Managers to the Issue. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by our Company for collecting applications, will have to make payment by cheque / demand draft of an amount net of bank and postal charges and send their CAFs to the Registrar by registered post. If any portion of the CAF is/are detached or separated, such application is liable to be rejected. Applicants sending applications to the Registrar have to ensure that CAF accompanied by Cheque / DD and other applicable enclosures is sent in an envelope superscribed "**TATA SPONGE IRON LIMITED-RIGHTS ISSUE**".

Applications where separate cheques / demand drafts are not attached for amounts to be paid for Rights Equity Shares are liable to be rejected. Applications accompanied by cash, postal order or stockinvest are liable to be rejected.

5. Except for applications on behalf of the Central and the State Government, the residents of Sikkim and the officials appointed by the courts, all investors, and in the case of application in joint names, each of the joint investors, should mention his / her PAN allotted under the Income-tax Act, irrespective of the amount of the application. CAFs without PAN will be considered incomplete and are liable to be rejected.
6. Investors, holding Equity Shares in physical form, are advised that it is mandatory to provide information as to their savings or current account number, the nine digit MICR number and the name of the bank with whom such account is held in the CAF to enable the Registrar to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.
7. All payment should be made by cheque or demand draft only. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
8. Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his / her official seal. The investors must sign the CAF as per the specimen signature recorded with our Company or the Depositories.

9. In case of an Application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under the Issue and to sign the Application and a copy of the Memorandum of Association and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar giving reference of the serial number of the CAF. In case the above referred documents are already registered with our Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar or are sent after the Issue Closing Date, then the application is liable to be rejected.
10. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company or the Depositories. Further, in case of joint investors who are Renounees, the number of investors should not exceed three. In case of joint investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.
11. Application(s) received from NRs or NRIs, or persons of Indian origin residing abroad for Allotment of Rights Equity Shares shall, amongst other things, be subject to conditions, as may be imposed from time to time by the RBI under FEMA, in the matter of refund of Application Money, Allotment of Rights Equity Shares, subsequent issue and Allotment of Rights Equity Shares, interest, etc. In case an NR or NRI Investor has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs / NRIs in any jurisdiction where the offer or sale of the Rights Entitlements and subsequent issue of Rights Equity Shares may be restricted by applicable securities laws.
12. All communication in connection with application for the Rights Equity Shares, including any change in address of the investors should be addressed to the Registrar prior to the date of Allotment in the Issue quoting the name of the first / sole investor, folio numbers and CAF number. Please note that any intimation for change of address of investors, after the date of Allotment, should be sent to the Registrar and transfer agents of our Company, in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.
13. SAFs cannot be re-split.
14. Only the person or persons to whom Rights Equity Shares have been offered and not Renounee(s) shall be entitled to obtain SAFs.
15. Investors must write their CAF number at the back of the cheque or demand draft.
16. Only one mode of payment per application should be used. The payment must be by cheque or demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the bankers clearing house located at the centre indicated on the reverse of the CAF where the application is to be submitted.
17. A separate cheque or draft must accompany each CAF. Outstation cheques, demand drafts or post-dated cheques and postal or money orders will not be accepted and applications accompanied by such cheques, demand drafts, money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash.
18. No receipt will be issued for Application Money received. The Bankers to the Issue, the Escrow Collection Banks or the Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
19. The distribution of this Letter of Offer and issue of Rights Equity Shares to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in such jurisdictions are instructed to disregard this Letter of Offer and not to attempt to subscribe for Rights Equity Shares.

20. Investors are required to ensure that the number of Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.
21. In case of non – receipt of CAF, Application can be made on plain paper mentioning all necessary details as mentioned under the section “- *Application on Plain Paper under non-ASBA process*” beginning on page 257.

Do’s for non-ASBA Investors:

1. Check if you are eligible to apply, i.e., you are an Eligible Equity Shareholder on the Record Date.
2. Read all the instructions carefully and ensure that the cheque or draft option is selected in Part A of the CAF and necessary details are filled in.
3. In the event you hold Equity Shares in dematerialised form, ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Rights Equity Shares will be Allotted in the dematerialized form only.
4. Ensure that your Indian address is available to us and the Registrar and transfer agent, in case you hold the Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form.
5. Ensure that the value of the cheque or draft submitted by you is equal to the (number of Rights Equity Shares applied for) X (Issue Price of Rights Equity Shares) before submission of the CAF. Investors residing at places other than cities where the branches of the Bankers to the Issue have been authorised by us for collecting applications, will have to make payment by demand draft of an amount net of bank and postal charges.
6. Ensure that you receive an acknowledgement from the collection branch of the Bankers to the Issue for your submission of the CAF in physical form.
7. Ensure that you mention your PAN allotted under the Income-tax Act with the CAF, except for Applications on behalf of the Central and the State Governments, residents of the state of Sikkim and officials appointed by the courts.
8. Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.
9. Ensure that the demographic details are updated, true and correct, in all respects.

Don’ts for non-ASBA Investors:

1. Do not apply if you are in the United States or any other restricted jurisdiction or are otherwise not eligible to participate in the Issue pursuant to the securities laws applicable to your jurisdiction.
2. Do not apply on duplicate CAF after you have submitted a CAF to a collection branch of the Bankers to the Issue.
3. Do not pay the amount payable on application in cash, by money order or by postal order.
4. Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
5. Do not submit Application accompanied with stock invest.

Grounds for Technical Rejections for non-ASBA Investors

Investors are advised to note that Applications are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable.
2. Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or the Registrar and Share Transfer Agent (in the case of physical holdings).
3. Age of Investor(s) not given (in case of Renounees).
4. Except for CAFs on behalf of the Central or the State Government, the residents of Sikkim and the officials appointed by the courts, PAN not given for application of any value.
5. In case of CAF under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted.
6. If the signature of the investor does not match with the one given on the CAF and for renounce(s) if the signature does not match with the records available with their depositories.
7. CAFs are not submitted by the Investors within the time prescribed as per the CAF and the Letter of Offer.
8. CAFs not duly signed by the sole or joint Investors.
9. CAFs or SAFs by OCBs not accompanied by a copy of an RBI approval to apply in the Issue.
10. CAFs accompanied by stock invest, outstation cheques, post-dated cheques, money order, postal order or outstation demand drafts.
11. In case no corresponding record is available with the depositories that match three parameters, namely, names of the investors (including the order of names of joint holders), DP ID and Client ID.
12. CAFs that do not include the certifications set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in any restricted jurisdictions and is authorized to acquire the Rights Entitlements and Rights Equity Shares in compliance with all applicable laws and regulations.
13. CAFs which have evidence of being executed in or dispatched from restricted jurisdictions.
14. CAFs by ineligible non-residents (including on account of restriction or prohibition under applicable local laws) and where an Indian address has not been provided.
15. CAFs where our Company believes that CAF is incomplete, or acceptance of such CAF may infringe applicable legal or regulatory requirements.
16. In case the GIR number is submitted instead of the PAN.
17. Applications by Renounees who are persons not competent to contract under the Indian Contract Act, 1872, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories.
18. Multiple CAFs, including cases where an investor submits CAFs along with a plain paper Application.
19. Applications from ASBA Investors applying in the Issue for Rights Equity Shares, not through ASBA process.

20. **If an investor is (a) debarred by SEBI and / or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the investor to subscribe to their Rights Entitlement.**

Please read this Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Last date for Application

The last date for submission of the duly filled in CAF or a plain paper Application is (●), i.e., Issue Closing Date. Our Board or any committee thereof may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). If the Application together with the amount payable is either (i) not blocked with an SCSB; or (ii) not received by the Bankers to the Issue or the Registrar on or before the close of banking hours on the Issue Closing Date or such date as may be extended by our Board or any committee thereof, the invitation to offer contained in the Letter of Offer shall be deemed to have been declined and our Board or any committee thereof shall be at liberty to dispose of the Equity Shares hereby offered, as provided under the section “*Terms of the Issue - Basis of Allotment*” on page 268.

Underwriting

The Issue is not underwritten.

Issue Schedule

Issue Opening Date		(●)
Last date for receiving requests for SAFs		(●)
Issue Closing Date		(●)

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

Basis of Allotment

Subject to the provisions contained in the Letter of Offer, the Abridged Letter of Offer, CAF, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Rights Equity Shares in the following order of priority:

1. Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlement of Rights Equity Shares either in full or in part and also to the Renouncee(s) who has / have applied for Rights Equity Shares renounced in their favour, in full or in part.
2. Eligible Equity Shareholders whose fractional entitlements are being ignored and Eligible Equity Shareholders with Zero entitlement would be given preference in Allotment of one additional Rights Equity Shares each if they apply for additional Rights Equity Share. Allotment under this head shall be considered if there are any unsubscribed Rights Equity Shares after Allotment under (1) above. If number of Rights Equity Shares required for Allotment under this head is more than the number of Rights Equity Shares available after Allotment under (1) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange and will not be a preferential allotment.
3. Allotment to the Eligible Equity Shareholders who having applied for all the Rights Equity Shares offered to them as part of the Issue, have also applied for additional Rights Equity Shares. The Allotment of such additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Rights Equity Shares after making full Allotment in (1) and (2) above. The Allotment of such Rights Equity Shares will be subject to (5) below and at the sole discretion of the Board in consultation with the Designated Stock Exchange,

as a part of the Issue and will not be a preferential allotment.

4. Allotment to Renounees who having applied for all the Rights Equity Shares renounced in their favour, have applied for additional Rights Equity Shares provided there is surplus available after making full Allotment under (1), (2) and (3) above. The Allotment of such Rights Equity Shares will be at the sole discretion of the Board in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.
5. In the event the Issue is under-subscribed and our Promoter applies for additional Rights Equity Shares to satisfy the minimum subscription requirements applicable to the Issue, i.e. 90% of the Issue, which could result in the post-Issue shareholding of our Promoter in our Company to exceed 75%, then the members of the public will be given preference to the fullest extent permissible under applicable law for Allotment under (1), (2), (3) and (4) above before the Allotment of additional Rights Equity Shares to the Promoter.
6. Allotment to any other person that our Board of Directors as it may deem fit, provided there is surplus available after making Allotment under (1), (2), (3), (4) and (5) above, and the decision of the Board in this regard shall be final and binding.

After taking into account Allotment to be made under (1) to (4) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

1. The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for the Issue, for each successful ASBA Investors;
2. The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
3. The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

Subscription to the Issue by the Promoter and Promoter Group

Our Promoter has undertaken to subscribe to the full extent of its Rights Entitlement in the Issue. In addition to subscription to its Rights Entitlement, our Promoter has reserved the right to subscribe to additional Rights Equity Shares for any unsubscribed portion in the Issue, up to the extent permitted by SEBI as specified below.

Pursuant to a SEBI letter dated May 24, 2019, SEBI has permitted our Promoter to subscribe to additional Rights Equity Shares in the Issue and exceed the maximum non-public shareholding requirement of 75% in order to achieve the minimum subscription requirements in the Issue, i.e. 90% of the Issue Size, under the SEBI ICDR Regulations. As a result of such additional subscription, the shareholding of our Promoter may exceed 75% of the post-Issue capital of our Company and our Company will be required to reduce such shareholding of the Promoter to comply with SEBI Listing Regulations and SCRR in such manner and within the time period (which is currently within one year from the date of Allotment) as prescribed by SEBI.

Allotment Advices / Refund Orders

Our Company will issue and dispatch Allotment advice / demat credit and / or letters of regret along with refund order or credit the allotted Rights Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

Investors residing at centres where clearing houses are managed by the RBI will get refunds through National Automated Clearing House ("NACH") except where investors have not provided the details required to send

electronic refunds.

Investors will receive their Rights Entitlement in dematerialized form using electronic credit under the depository system and the Allotment advice shall be sent at the address recorded with the Depository. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form was available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. Since Allotment in this Issue will occur subsequent to May 10, 2019, the entitlement of Rights Equity Shares to be Allotted to the Applicants who have applied for Allotment of the Rights Equity Shares in physical form will be kept in abeyance in electronic mode by our Company until the Applicants provide details of their demat account particulars to the Registrar.

The letter of allotment or refund order would be sent by registered post or speed post to the sole / first Investor's Indian address provided by the Eligible Equity Shareholders to our Company or available with the Depositories. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole / first Investor. Adequate funds would be made available to the Registrar for this purpose.

In the case of non-resident Investors who remit their Application Money from funds held in the NRE or the FCNR Accounts, refunds and / or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the CAF. Subject to the applicable laws and other approvals, in case of non-resident Investors who remit their Application Money through Rupee demand drafts purchased from abroad, refund and / or payment of dividend or interest and any other disbursement, shall be credited to such accounts in abroad and will be made after deducting bank charges or commission in US Dollars, at the rate of exchange prevailing at such time. Our Company will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Rupee amount into US Dollars.

Payment of Refund

Mode of making refunds

In case of Applicants not eligible to make an application through ASBA process, the payment of refund, if any, including in the event of oversubscription or failure to list or otherwise would be done through any of the following modes:

1. NACH – National Automated Clearing House is a consolidated system of electronic clearing service. Payment of refund would be done through NACH for Applicants having an account at one of the centres specified by the RBI, where such facility has been made available. This would be subject to availability of complete bank account details including MICR code wherever applicable from the depository. The payment of refund through NACH is mandatory for Applicants having a bank account at any of the centres where NACH facility has been made available by the RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where Applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.
2. National Electronic Fund Transfer (“NEFT”) - Payment of refund shall be undertaken through NEFT wherever the investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the investors have registered their nine-digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refund will be made to the investors through this method.
3. Direct Credit - Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds

through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.

4. RTGS - If the refund amount exceeds Rs. 2,00,000, the investors have the option to receive refund through RTGS. Such eligible investors who indicate their preference to receive refund through RTGS are required to provide the IFSC in the CAF. In the event the same is not provided, refund shall be made through NACH or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
5. For all other investors, the refund orders will be dispatched through Speed Post / Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole / first investor and payable at par.
6. Credit of refunds to investors in any other electronic manner, permissible under the banking laws, which are in force, and is permitted by SEBI from time to time.

Refund payment to Non- residents

Where applications are accompanied by Rupee drafts purchased abroad, refunds will be made in Rupees based on the U.S. dollars equivalent which ought to be refunded. Rupees will be converted into U.S. dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned Applicant and our Company shall not bear any part of the risk. Where the applications made are accompanied by NRE or FCNR or NRO cheques, refunds will be credited to NRE or FCNR or NRO accounts, respectively, on which such cheques were drawn and details of which were provided in the CAF.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders or refund warrants which can then be deposited only in the account specified. Our Company will, in no way, be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice / Demat Credit

Allotment advice or demat credit or letters of regret will be dispatched to the registered address of the first named investor or respective beneficiary accounts will be credited within 15 days, from the Issue Closing Date.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form was available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. Since Allotment in this Issue will occur subsequent to May 10, 2019, the entitlement of Rights Equity Shares to be Allotted to the Applicants who have applied for Allotment of the Rights Equity Shares in physical form will be kept in abeyance in electronic mode by our Company until the Applicants provide details of their demat account particulars to the Registrar.

Option to receive Rights Equity Shares in Dematerialized Form

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR IN THE ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT / CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA INVESTOR ON THE RECORD DATE.

In accordance with the SEBI ICDR Regulations, the option to receive the Rights Equity Shares in physical form was available only for a period of six months from the date of coming into force of the SEBI ICDR Regulations, i.e., until May 10, 2019. Since Allotment in this Issue will occur subsequent to May 10, 2019, the entitlement of Rights Equity Shares to be Allotted to the Applicants who have applied for Allotment of the Rights Equity

Shares in physical form will be kept in abeyance in electronic mode by our Company until the Applicants provide details of their demat account particulars to the Registrar.

Investors shall be allotted the Rights Equity Shares in dematerialized (electronic) form only. Our Company has signed a tripartite agreement with NSDL and Tata Share Registry Limited (now TSR Darashaw Consultants Private Limited) on March 31, 2000 and CDSL and Tata Share Registry Limited (now TSR Darashaw Consultants Private Limited) on March 6, 2000, which enables the investors to hold and trade in Equity Shares in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In the Issue, the Allottees will receive their Rights Equity Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Rights Equity Shares to the Investor's depository account.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Rights Equity Shares in this Issue in the dematerialised form is as under:

1. Open a beneficiary account with any Depository Participant (*care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company*). In case of investors having various folios in our Company with different joint holders, the investors will have to open separate accounts for such holdings. Those investors who have already opened such beneficiary account(s) need not adhere to this step.
2. For Eligible Equity Shareholders already holding Equity Shares of our Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Rights Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Rights Equity Shares arising out of this Issue will be made in dematerialized form even if the original Equity Shares are not dematerialised. Nonetheless, it should be ensured that the depository account is in the name(s) of the investors and the names are in the same order as in the records of our Company / Depositories.
3. The responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-a-vis such information with the Investor's Depository Participant, would rest with the investor. Investors should ensure that the names of the investors and the order in which they appear in CAF should be the same as registered with the Investor's Depository Participant.
4. If incomplete / incorrect beneficiary account details are given in the CAF, the investor will not be allotted Rights Equity Shares.
5. The Rights Equity Shares allotted to Applicants would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the Applicant by the Registrar to the Issue but the Applicant's Depository Participant will provide to him the confirmation of the credit of such Rights Equity Shares to the Applicant's depository account.
6. Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Rights Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.
7. Non-transferable allotment advice / refund orders will be directly sent to the investors by the Registrar.

8. Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Company as on the date of the book closure.

Procedure for Application by Mutual Funds

In case of a Mutual Fund, a separate application can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Applications in respect of more than one scheme of the Mutual Fund will not be treated as multiple applications provided that the application clearly indicate the scheme concerned for which the application has been made. Applications made by asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Procedure for Application by FPIs

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the multiple entities having common ownership, directly or indirectly, of more than 50% or common control) must be below 10% of our post-Issue Equity Share capital. Further, in terms of the FEMA Regulations, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Company on a fully diluted basis.

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time. Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations, an FPI, other than Category III foreign portfolio investor and unregulated broad based funds, which are classified as Category II foreign portfolio investor by virtue of their investment manager being appropriately regulated, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, or unlisted debt securities or securitised debt instruments, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iii) such offshore derivative instruments shall not be issued or transferred to persons who do not satisfy the eligibility criteria of FPIs specified under Regulation 4 of the SEBI FPI Regulations. An FPI is also required to ensure that any transfer of offshore derivative instrument by it or on behalf of it, is made subject to conditions that (i) such offshore derivative instruments are transferred to persons subject to aforesaid conditions of issuance; and (ii) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre-approved by FPI.

Procedure for Applications by AIFs, FVCIs and VCFs

SEBI VCF Regulations and SEBI FVCI Regulations prescribe, amongst other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, SEBI AIF Regulations prescribe, amongst other things, the investment restrictions on AIFs.

As per SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue. Venture capital funds registered as category I AIFs, as defined in SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with SEBI AIF Regulations. Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility. Otherwise, applications of such AIFs are liable for rejection.

Procedure for Applications by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the FEMA Regulations. Applications will not be accepted from NRIs in restricted jurisdictions.

NRIs may please note that only such Applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the reserved category. The NRIs who intend to make payment through NRO accounts shall use the Application form meant for resident Indians and shall not use the Application forms meant for reserved category.

As per Regulation 5 of the FEMA Regulations read with Schedule 3 of the FEMA Regulations, an NRI or Overseas Citizen of India (“OCI”) may purchase or sell capital instruments of a listed Indian company on repatriation basis, on a recognised stock exchange in India, subject to the conditions, inter alia, that the total holding by any individual NRI or OCI will not exceed 5% of the total paid-up equity capital on a fully diluted basis or should not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together will not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrants. The aggregate ceiling of 10% may be raised to 24%, if a special resolution to that effect is passed by the general body of the Indian company.

Please note that in accordance with Regulation 76 of the SEBI ICDR Regulations read with the provisions of the 2011 ASBA Circular and the 2009 ASBA Circular, all Applicants / Investors other than Retail Individual Investors complying with the eligibility conditions mentioned therein, must mandatorily invest in the Issue through the ASBA process, unless otherwise permitted by regulatory authorities or under applicable law. All Retail Individual Investors complying with such eligibility conditions have the option to apply through the ASBA process or the non-ASBA process. Eligible Equity Shareholders who have renounced their Rights Entitlement in part, Renouncees and Eligible Equity Shareholders holding Equity Shares in physical form are not eligible ASBA Investors and must apply for Rights Equity Shares only through the non-ASBA process, irrespective of the Application amounts / Applicant category.

Impersonation

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

“Any person who:

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,*

shall be liable for action under Section 447”.

Section 447 of the Companies Act provides for punishment for fraud which *inter alia* states punishment of imprisonment for a term which shall not be less than six months but which may extend to ten years and shall be liable to a fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud.

Dematerialized Dealing

Our Company has entered into agreements dated March 31, 2000 and March 6, 2000 with NSDL and CDSL, respectively, and its Equity Shares bear ISIN: INE674A01014.

Disposal of Application and Application Money

No acknowledgment will be issued for the Application Moneys received by our Company. However, the Bankers to the Issue, the Registrar or the Designated Branch of the SCSBs receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

Our Board reserves its full, unqualified and absolute right to accept or reject any Application, in whole or in part, and in either case without assigning any reason thereto.

In case an Application is rejected in full, the whole of the Application Money received / blocked will be refunded. Wherever an application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Rights Equity Shares allotted, will be refunded to the investor within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

For further instructions, please read the CAF carefully.

Utilization of proceeds of the Issue

The Board of Directors declares that:

1. All monies received out of the Issue shall be transferred to a separate bank account;
2. Details of all monies utilized out of the Issue shall be disclosed, and continue to be disclosed till the time any part of the proceeds of the Issue remains unutilized, under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized; and
3. Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested;

Undertakings by our Company

Our Company undertakes the following:

1. The complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Rights Equity Shares are to be listed will be taken within seven Working Days of finalization of Basis of Allotment.
3. The funds required for making refunds to unsuccessful Applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our Company.
4. Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. In case of unblocking of the application amount for unsuccessful Applicants or part of the application amount in case of proportionate Allotment, a suitable communication shall be sent to the Applicants.
6. Adequate arrangements shall be made to collect all ASBA applications and to consider then similar to non-ASBA applications while finalizing the Basis of Allotment.

7. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, our Company shall refund the entire subscription amount within the prescribed time. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Company shall pay interest for the delayed period at rates prescribed under applicable laws.

Important

1. Please read this Letter of Offer carefully before taking any action. The instructions contained in the CAF are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected. It is to be specifically noted that this Issue of Rights Equity Shares is subject to the risk factors mentioned in “*Risk Factors*” on page 15.
2. All enquiries in connection with this Letter of Offer or CAF and requests for SAFs must be addressed quoting the Registered Folio Number / DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and superscribed “**TATA SPONGE IRON LIMITED–RIGHTS ISSUE**” on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

Registrar to the Issue

Link Intime India Private Limited

C-101, 247 Park

L B S Marg

Vikhroli (West)

Mumbai 400 083

Tel: +91 22 4918 6200

Fax: +91 22 4918 6195

E-mail: tatasponge.rights@linkintime.co.in

Investor Grievance e-mail: tatasponge.rights@linkintime.co.in

Website: www.linkintime.co.in

Contact Person: Sumeet Deshpande

SEBI Registration Number: INR000004058

The Issue will remain open for a minimum 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Consolidated FDI Policy and FEMA. The government bodies responsible for granting foreign investment approvals are the concerned ministries / departments of the Government of India and the RBI. The Union Cabinet has recently approved phasing out the FIPB, as provided in the press release dated May 24, 2017. Accordingly, pursuant to the office memorandum dated June 5, 2017, issued by the Department of Economic Affairs, Ministry of Finance, approval of foreign investment under the FDI policy has been entrusted to concerned ministries / departments.

Subsequently, the DIPP issued the Standard Operating Procedure (SOP) for Processing FDI Proposals on June 29, 2017 (the “**SOP**”). The SOP provides a list of the competent authorities for granting approval for foreign investment for sectors / activities requiring Government approval. For sectors or activities that are currently under automatic route but which required Government approval earlier as per the extant policy during the relevant period, the concerned administrative ministry / department shall act as the competent authority (the “**Competent Authority**”) for the grant of post facto approval of foreign investment. In circumstances where there is a doubt as to which department shall act

as the Competent Authority, the DIPP shall identify the Competent Authority.

The Government of India has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendments to FEMA. In case of any conflict between FEMA and such policy pronouncements, FEMA prevails. The Consolidated FDI Policy, issued by the DIPP, consolidates the policy framework in place as on August 27, 2017, and supersedes all previous press notes, press releases and clarifications on FDI issued by the DIPP that were in force and effect as on August 27, 2017. The Government proposes to update the consolidated circular on FDI Policy once every year and therefore the Consolidated FDI Policy will be valid until the DIPP issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company falls under the automatic route as provided in the FDI Policy and FEMA and transfer does not attract the provisions of the Takeover Regulations; (ii) the non- resident shareholding is within the sectoral limits under the FDI Policy; and (iii) the pricing is in accordance with the guidelines prescribed by SEBI and RBI.

As per the existing policy of the Government of India, erstwhile OCBs cannot participate in this Issue. The above information is given for the benefit of the Applicants / Investors. Our Company and the Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.

SECTION IX – STATUTORY AND OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by our Company (not being contracts entered into in the ordinary course of business carried on by our Company) which are or may be deemed material have been entered or are to be entered into by our Company.

Copies of the contracts and documents mentioned in para (A) and (B) below may be inspected at the Registered Office between 10 a.m. and 5 p.m. on all working days from the date of this Letter of Offer until the Issue Closing Date.

A. Material Contracts

1. Issue agreement dated (●) between our Company and the Lead Managers.
2. Escrow agreement dated (●) amongst our Company, the Lead Managers, the Registrar to the Issue and the Bankers to the Issue.
3. Monitoring Agency agreement dated (●) between our Company and the Monitoring Agency.
4. Registrar agreement dated (●) between our Company and the Registrar to the Issue.

B. Material Documents

1. Certificate of incorporation of our Company dated July 31, 1982, and fresh certificate of incorporation of our Company dated September 24, 1996, issued pursuant to the change of the name of our Company from “*Ipitata Sponge Iron Limited*” to “*Tata Sponge Iron Limited*”.
2. Certified copies of the Memorandum of Association and Articles of Association of our Company.
3. Consents of our Directors, Chief Risk & Compliance Officer and Company Secretary, Statutory Auditors, the Lead Managers, Bankers to the Issue, Legal Advisor to our Company, Legal Advisor to the Lead Managers, the Registrar to the Issue and the Monitoring Agency for inclusion of their names in this Letter of Offer to act in their respective capacities.
4. Copies of the annual reports of our Company for Fiscal 2018, Fiscal 2017, Fiscal 2016, Fiscal 2015 and Fiscal 2014.
5. Copy of the prospectus dated May 21, 1984.
6. In-principle approvals dated (●) and (●) issued by BSE and NSE, respectively, under Regulation 28(1) of the SEBI Listing Regulations.
7. Resolutions of our Board dated October 24, 2018 and (●), in relation to the Issue and other related matters.
8. Copy of the SEBI letter dated May 24, 2019.
9. Statement of tax benefits dated (●), by Deloitte Haskins & Sells LLP.
10. The report of the Statutory Auditors dated April 18, 2019, in relation to our Financial Statements.
11. The report of S.R. Batliboi & Co. LLP, Chartered Accountants, dated June 9, 2019, in relation to the Special Purpose Carve-Out Financial Statements.
12. Tripartite agreement dated March 6, 2000 between our Company, Tata Share Registry Limited (now TSR Darashaw Consultants Private Limited) and CDSL.

13. Tripartite agreement dated March 31, 2000 between our Company, Tata Share Registry Limited (now TSR Darashaw Consultants Private Limited) and NSDL.
14. Due diligence certificate dated (●) addressed to SEBI from the Lead Managers.

Any of the contracts or documents mentioned in this Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Eligible Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby certify:

“No statement made in this letter of offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. All the legal requirements connected with the issue as also the guidelines, instructions, etc., issued by SEBI, Government and any other competent authority in this behalf, have been duly complied with”.

We further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE BOARD OF DIRECTORS OF THE COMPANY

<p>_____</p> <p>Prakash Chandra Parakh <i>Independent Director</i></p>	<p>_____</p> <p>Dipak Kumar Banerjee <i>Independent Director</i></p>
<p>_____</p> <p>Manoj Thankachan Thomas <i>Independent Director</i></p>	<p>_____</p> <p>Omkar Nath Mohanty <i>Independent Director</i></p>
<p>_____</p> <p>Meena Lall <i>Non-Executive, Non-Independent Director</i></p>	<p>_____</p> <p>Sanjay Kumar Pattnaik <i>Managing Director</i></p>
<p>_____</p> <p>Sougata Ray <i>Additional Director (Independent & Non-Executive)</i></p>	<p>_____</p> <p>Narendran Viswanath Thachat <i>Additional Director (Non-Independent & Non-Executive)</i></p>
<p>_____</p> <p>Koushik Chatterjee <i>Additional Director (Non-Independent & Non-Executive)</i></p>	<p>_____</p> <p>Ashish Anupam <i>Additional Director (Non-Independent & Non-Executive)</i></p>

SIGNED BY THE CHIEF FINANCIAL OFFICER OF THE COMPANY

Srikanta Kumar Mishra

Date: (●)

Place: (●)