



BHUSHAN STEEL LIMITED

ANNUAL REPORT (ABRIDGED)
2017-2018

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ANNUAL GENERAL MEETING

Date : September 25, 2018

Time : 12 Noon (IST)

**Venue : Kamani Auditorium, 1, Copernicus
Marg, New Delhi – 110 001**

GREEN INITIATIVES

As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' undertaken by the Ministry of Corporate Affairs, Government of India and urges you to extend your support to the same by registering your email address with the Company's Registrar and Transfer Agent or your Depository Participant to receive communication, including the Annual Report, quarterly and half-yearly results, amongst others from the Company in electronic mode

CORPORATE INFORMATION

BOARD OF DIRECTORS

(As on August 22, 2018)

Mr. T.V. Narendran

Non-executive Director and Chairman

Mr. Krishnava Dutt

Independent Director

Ms. Neera Saggi

Independent Director

Mr. Shashi Kant Maudgal

Independent Director

Mr. Srikumar Menon

Independent Director

Mr. Koushik Chatterjee

Non-executive Director

Mr. Anand Sen

Non-executive Director

Mr. Rajeev Singhal

Managing Director

Company Secretary

Mr. O. P. Davra

Registered Office

B - 9 to 12, Okhla Industrial Area, Phase-I
New Delhi-110020
Tel & Fax: 91-11-26811033
Email: bsl@bhushansteel.com
Website: www.bhushansteel.com

Corporate Office

23, Site IV, Sahibabad Industrial Area,
Distt.: Ghaziabad – 201010, Uttar Pradesh
Tel & Fax: 91-120-3028001

Works

P.O. Shibapur, Meramandali, Distt.: Dhenkanal – 759 121
Odisha, INDIA

23, Site-IV, Sahibabad Industrial Area Distt.: Ghaziabad – 201 010
Uttar Pradesh, INDIA

Village – Nifan, Savroli, Kharpada Road,
Taluka-Khalapur, Near Khopoli
Distt: Raigad – 410 203
Maharashtra, INDIA

Corporate Identity Number

CIN L74899DL1983PLC014942

Auditors

M/s Walker Chandio & Co LLP
(Firm Registration No. 001076N/N500013)

Registrar and Share Transfer Agent

RCMC Share Registry Pvt. Ltd.

B -25/1, First Floor
Okhla Industrial Area Phase II
New Delhi – 110 020
Tel: 91-11-2638 7320, 2638 7321, 2638 7323
Fax: 91-11-2638 7322
Email: investor.services@rcmcdelhi.com
Website: www.rcmcdelhi.com

DIRECTORS' REPORT

[SALIENT FEATURES PURSUANT TO SECTION 134(3) OF THE COMPANIES ACT, 2013]

To the Members of

Bhushan Steel Limited

The Board of Directors of the Company as on August 22, 2018, presents to the Members the 35th Annual Report of the Company, which includes the Directors' Report ("Annual Report"). For the purpose of this abridged annual report for fiscal year 2018, the salient features of the Directors' Report in line with Section 134(3) of the Companies Act, 2013 read together with the circular of the Ministry of Corporate Affairs No. G.S.R. 191(E) dated February 27, 2018 and Regulation 36 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 is being presented.

The Company will make available the full Annual Report, including the Directors' Report and the Annexures thereto, upon a request received from any member of the Company. Any member interested in obtaining a copy of the Annual Report may send a request in writing to the Company Secretary.

Salient features of the report

In accordance with the applicable provisions of the Insolvency and Bankruptcy Code 2016 ("IBC/Code"), the Corporate Insolvency Resolution Process ("CIRP Process") of Bhushan Steel Limited ("Company") was initiated by the Financial Creditors of the Company. The Financial Creditors petition to initiate the CIRP Process was admitted by the National Company Law Tribunal ("NCLT") on July 26, 2017 ("Insolvency Commencement Date"). Mr. VijayKumar V. Iyer was appointed as the Interim Resolution Professional ("IRP") to manage the affairs of the Company. Subsequently, Mr. Iyer was confirmed as the Resolution Professional ("RP") by the committee of creditors ("CoC"). On appointment of the IRP/RP, the powers of the Board of Directors of the Company were suspended.

The RP invited expressions of interest and submission of a resolution plan in accordance with the provisions of the Code. Of the various resolution plans submitted, the CoC approved the resolution plan submitted by Tata

Steel Limited ("TSL"). The RP submitted the CoC approved resolution plan to the NCLT on March 23, 2018 for its approval and the NCLT approved the resolution plan submitted by TSL and approved by the CoC ("Approved Resolution Plan"), on May 15, 2018 ("IBC/NCLT Order"). Pursuant to the NCLT order, TSL acquired the shares of the Company through its wholly-owned subsidiary, Bamnibal Steel Limited, on May 18, 2018 ("Acquisition"). Post the Acquisition, a new Board was constituted in the current financial year i.e. on May 18, 2018 ("Reconstituted Board" or "Board") and a new management was put in place. In accordance with the provisions of the Code and the NCLT order, the approved resolution plan is binding on the Company and its employees, members, creditors, guarantors and other stakeholders involved.

Members may kindly note that, the Directors of the Reconstituted Board ("Directors") were not in office for the period to which this report primarily pertains. During the CIRP Process (i.e. between July 26, 2017 to May 15, 2018), the RP was entrusted with the management of the affairs of the Company. Prior to the Insolvency Commencement Date, the erstwhile Board of Directors had the oversight on the management of the affairs of the Company. The Reconstituted Board is submitting this report in compliance with the provisions of the Companies Act, 2013, the rules and regulations framed thereunder ("Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015. The Reconstituted Board is not to be considered responsible to discharge fiduciary duties with respect to the oversight on financial and operational health of the Company and performance of the management for the period prior to the Acquisition.

IBC is a new legislation in India and the Approved Resolution Plan of the Company is amongst the first such resolution plan approved under the IBC. Members are requested to read this report in light of the fact that the Reconstituted Board and the new management is currently implementing the resolution plan.

A. FINANCIAL RESULTS

₹ crore

Particulars	Bhushan Steel Standalone		Bhushan Steel Group	
	2017-18	2016-17	2017-18	2016-17
Gross revenue from operations	17,404.43	15,027.30	17,404.43	15,027.30
Total expenditure before finance cost, depreciation (net of expenditure transferred to capital)	15,199.57	12,105.28	15,200.29	12,106.08
Operating Profit	2,204.85	2,922.02	2,204.14	2,921.22
Add: Other income	95.08	71.96	95.08	71.96
Profit / (Loss) before finance cost, depreciation, exceptional items and taxes	2,299.93	2,993.98	2,299.22	2,993.18
Less: Finance costs	6,304.90	5,426.76	6,304.90	5,426.76
Profit / (Loss) before depreciation, exceptional items and taxes	(4,004.97)	(2,432.78)	(4,005.68)	(2,433.58)
Less: Depreciation	1,785.66	1,685.61	1,785.66	1,685.61
Profit / (Loss) before share of profit / (loss) of joint ventures & associates, exceptional items & tax	(5,790.63)	(4,118.39)	(5,791.34)	(4,119.19)
Share of profit / (loss) of Joint Ventures & Associates	-	-	-	(121.65)
Profit / (Loss) before exceptional items & tax	(5,790.63)	(4,118.39)	(5,791.34)	(4,240.84)
Add / (Less): Exceptional Items	(23,344.68)	(6.69)	(23,096.69)	(6.69)
Profit / (Loss) before taxes	(29,135.31)	(4,125.08)	(28,888.03)	(4,247.53)
Less: Tax Expense / (income)	(4,321.84)	(623.96)	(4,321.84)	(623.96)

Particulars	Bhushan Steel Standalone		Bhushan Steel Group	
	2017-18	2016-17	2017-18	2016-17
(A) Profit / (Loss) after taxes	(24,813.47)	(3,501.12)	(24,566.19)	(3,623.57)
(B) Net Profit / (Loss) for the Period	(24,813.47)	(3,501.12)	(24,566.19)	(3,623.57)
Total Profit / (Loss) for the period attributable to:				
Owners of the Company			(24,565.88)	(3,623.57)
Non-controlling interests			(0.31)	(8.72)
(C) Total other comprehensive income / (Loss)	(2.93)	(0.61)	(2.87)	1.84
(D) Total comprehensive income for the period [B + C]	(24,816.40)	(3,501.73)	(24,569.06)	(3,621.73)

Notes: The exceptional items include:

Particulars	Year ended	
	March 31, 2018	March 31, 2017
(i) Provision for impairment in property, plant & equipment and other assets	(20,759.02)	(6.69)
(ii) Provision for impairment in financial assets	(238.34)	-
(iii) Other exceptional items (refer note below)	(2,347.33)	-
	(23,344.68)	(6.69)

(i) Provision for impairment on non-current assets includes non-cash write down of fixed assets, Capital Work in Progress (CWIP) ₹ 19,112.80 crore, Provision for MAT credit ₹ 806.06 crore, provision for impairment of investment in associate companies Bhushan Energy Limited and others ₹ 368.81 crore, provision for certain non-current advances ₹ 471.36 crore. The previous year provision of ₹ 6.69 crore relates to provision on account of investment exposure in joint venture with Andar East Coal Company Pvt. Ltd.

(ii) Provision for impairment of finance assets of ₹ 238.34 crore represents impairment of coal block advances paid towards acquisition of de-allocated coal mine of ₹ 148.34 crore and provision for security deposits paid to Bhushan Energy limited of ₹ 90 crore.

(iii) Other exceptional items for the year ended March 31, 2018 include prior period items of ₹ 2,019.91 crore comprising of the following:

- Amortisation of leasehold land accounted as operating lease - The Company has taken land properties on operating lease in previous years, which earlier were accounted as finance lease. Upon change in their classification as operating lease, the cumulative effect of amortisation from inception until previous year ended March 31, 2017 has been recognised in current year's profit or loss in 'exceptional items'.
- Accounting effect of oxygen plant accounted as finance lease - The Company entered into sale and leaseback arrangement for oxygen plant in earlier years (under the erstwhile management) which was accounted as

operating lease. However, the terms of the lease require such arrangement to be classified as finance lease. Consequently, the asset has been recognised with corresponding finance lease obligation. Cumulative effect of reversal of operating lease rentals and booking of depreciation and finance cost from inception until previous year ended March 31, 2017 has been recognised in current year's profit or loss in 'exceptional items'.

- Post the Acquisition, pursuant to the Approved Resolution Plan, the new management has with effect from May 18, 2018 taken complete control of the operations of the Company. Further, the effect of the Approved Resolution Plan on the financial statements (standalone and consolidated) of the Company for the quarter and year ended March 31, 2018 had to be carefully assessed in order to prepare the financial statements in a manner such that as far as reasonably possible, the said financial statements present a true and fair view for the quarter and year ended March 31, 2018. It is for these reasons, that the financial statements were approved by the Audit Committee and adopted by the Board of Directors as of date. Considering the extra-ordinary situation under which the financial statements for the quarter and year ended March 31, 2018 was prepared, the Company made an application to the Securities and Exchange Board of India ("SEBI") seeking extension of time to file the financial results. However, the request was not acceded to by SEBI.

B. FINANCIAL PERFORMANCE AND STATE OF AFFAIRS

During the year, the total turnover from operations was ₹ 17,404.43 crore. The increase in turnover was mainly due to increase in sales volume and increase in average realizations. During the year, the company recorded a net loss of ₹ 24,813.47 crore (previous year: Net Loss was ₹ 3,501.12 crore). The increase in loss is primarily due to higher exceptional charges over previous year. The basic and diluted earnings per share for financial year 2017 – 18 were at (₹ 1,095.45).

In accordance with the provisions of the Insolvency and Bankruptcy Code, the Company was admitted to the CIRP Process pursuant to the order of the NCLT on July 26, 2017. Pursuant to the IBC Order dated May 15, 2018, shares of the Company have been acquired by Bannipal Steel Limited, wholly-owned subsidiary of TSL. It is to be noted that during the CIRP Process (i.e. between July 26, 2017 to May 15, 2018), RP and prior to the Insolvency Commencement Date, the erstwhile Board of Directors were entrusted with and responsible for the management of the affairs of the Company.

C. DIVIDEND

In view of the net loss incurred during the financial year ended March 31, 2018, the Reconstituted Board does not recommend any dividend to the shareholders of the Company.

D. TRANSFER TO RESERVES

In view of the losses incurred by the Company, no amount has been transferred to reserves.

E. CAPEX AND LIQUIDITY

During the year, the Company has spent ₹ 314 crore on capital projects, largely towards balancing facilities and essential sustenance capital projects.

As on March 31, 2018, the liquidity position of the Company was ₹ 492 crore (excluding FD under Lien of ₹ 426 crore for LC opening) as against ₹ 129 crore as on March 31, 2017 (excluding FD under Lien of ₹ 26 crore).

During the year under review, the banking facilities of the company were frozen and no headroom was available as the Company was admitted to the CIRP Process.

F. MATERIAL CHANGES POST CLOSURE OF FINANCIAL YEAR

Pursuant to the Acquisition, the following key events took place in the Company:

(i) Increase in Authorized Capital of the Company

Pursuant to the NCLT order, the Board approved the increase in authorized capital of the Company from ₹ 300 crore (Rupees Three Hundred Crore) consisting of 40,00,00,000 (Forty Crore) equity shares of ₹ 2/- each and 2,20,00,000 (Two Crore Twenty Lakh) preference shares of ₹ 100/- each to ₹ 9,520 crore (Rupees Nine Thousand Five Hundred Twenty Crore) consisting of 4650,00,00,000 (Four Thousand Six Hundred and Fifty Crore) equity shares of ₹ 2/- each and 2,20,00,000 (Two Crore Twenty Lakh) preference shares of ₹ 100/- each.

(ii) Acquisition of control of the Company by Bamnival Steel Limited

Pursuant to the NCLT order and approved resolution plan, on May 18, 2018, 79,44,28,986 (Seventy Nine Crore Forty Four Lakh Twenty Eight Thousand Nine Hundred and Eighty Six) equity shares at ₹ 2/- per share for cash was allotted to Bamnival Steel Limited ("Bamnival"), a wholly owned subsidiary of TSL. Pursuant to the allotment, Bamnival holds 72.65% of the paid-up capital of the Company and has been classified as the promoter of the Company. Further, the erstwhile Promoters have been re-classified as retail shareholders.

(iii) Allotment of equity shares to eligible financial creditors

Pursuant to the NCLT order and approved resolution plan, on May 18, 2018, 7,24,96,036 (Seven Crore Twenty Four Lakh Ninety Six Thousand and Thirty Six) equity shares at ₹ 2/- per share were allotted to eligible financial creditors on conversion of their existing loan to the extent of the shares allotted to them.

Further debts of eligible financial creditors were also paid (₹ 35,200 Crore) in the manner provided in the Approved Resolution Plan.

(iv) Reconstitution of the Board of Directors

Consequent to the NCLT Order dated May 15, 2018, all the Directors as of the date of the order were deemed to have vacated/resigned from their office. Post the Acquisition, a new Board was constituted on May 18, 2018 consisting of Mr. Krishnava Dutt as Additional Director (Independent), Mr. Anand Sen, Mr. Shuva Mandal, Mr. Dibyendu Dutta as Additional Directors (Non-Executive) and Mr. Rajeev Singhal

as Additional Director (Executive). Mr. Krishnava Dutt has been appointed for a period of 5 (five) years effective May 18, 2018.

On June 7, 2018, the Board appointed Ms. Neera Saggi and Mr. Shashi Kant Maudgal as Additional Directors (Independent) for a period of 5 (five) years.

On July 11, 2018, the Board appointed Mr. T. V. Narendran and Mr. Koushik Chatterjee as Additional (Non-Executive) Directors. Mr. Shuva Mandal and Mr. Dibyendu Dutta resigned as Members of the Board effective July 12, 2018.

On August 9, 2018, the Board appointed Mr. Srikumar Menon as Additional Director (Independent) for a period of 5 (five) years.

The approval of the shareholders for appointment of all Directors except Mr. Srikumar Menon was obtained through postal ballot. The results of the postal ballot were declared on August 21, 2018.

(v) Key Managerial Personnel.

Mr. Nittin Johari resigned as the Chief Financial Officer of the Company effective May 18, 2018.

Mr. Neeraj Singal ceased to be the Managing Director effective May 18, 2018.

Pursuant to the Acquisition, the Board appointed Mr. Rajeev Singhal as Managing Director of the Company for a period of 3 (three) years effective May 18, 2018. The Board also appointed Mr. Sanjib Nanda as Chief Financial Officer of the Company for a period of 3 (three) years effective May 18, 2018.

Mr. O. P. Davra is the Company Secretary and Compliance Officer of the Company.

(vi) Redemption of redeemable preference shares

During the period, the Company redeemed 1,82,59,885 (One Crore Eighty Two Lakh Fifty Nine Thousand Eight Hundred Eighty Five) redeemable preference shares for an amount of ₹ 100 per preference shareholder.

(vii) Re-classification of erstwhile promoters

Post the Acquisition, the Company submitted an application to the stock exchanges where its securities are listed, for re-classifying (i) Neeraj Singal; (ii) Brij Bhushan Singal; (iii) Ritu Singal; (iv) Aishwarya Singal; (v) Brij Bhushan Singal (HUF); and (vi) Bhushan Infrastructure Private Limited (collectively referred to as the "Erstwhile Promoter Group") as public shareholders under Regulation 31A of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). The Company received the approval from BSE Limited and National Stock Exchange of India Limited on June 25, 2018.

G. DIRECTORS' RESPONSIBILITY STATEMENT

Members may kindly note that, the Directors of the Reconstituted Board were not in office for the period to which this report primarily pertains. During the CIRP Process (i.e. between July 26, 2017 to May 15, 2018), RP and prior to the Insolvency Commencement Date, the erstwhile Board of Directors was entrusted with and responsible for the management of the affairs of the Company. The Reconstituted Board is submitting this report in compliance with the Act and Listing Regulations and the Directors, as on date, are not to be considered responsible to discharge fiduciary duties with respect to the oversight on financial and operational health of the Company and performance of the management for the period prior to the Acquisition.

IBC is a new legislation in India and the Approved Resolution Plan of the Company is amongst the first such resolution plan approved under the IBC and the members are requested to read this report in light of the fact that the Reconstituted Board and the new management is currently implementing the resolution plan.

As pointed out above, the Reconstituted Board of Directors has been in office only since May 18, 2018. Consequently, the Reconstituted Board has only a limited overview of the effectiveness of the internal financial and other controls of the Company for the fiscal year 2018.

Accordingly, pursuant to Section 134(5) of the Act, the Reconstituted Board of Directors, based on the knowledge/information gained by them, about the affairs of the Company, in a limited period of time and based on understanding of the then existing processes of the Company and to the best of their knowledge state:

- a) that in the preparation of the annual accounts for the financial year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) that we have selected such accounting policies and made judgments and estimates that are reasonable and prudent so as to give a reasonably true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2018 and of the profit or loss of the Company for that period; and
- c) that the annual accounts for the financial year ended March 31, 2018 have been prepared on a going concern basis.

H. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Company has 3 (three) wholly-owned subsidiary companies in India and 4 (four) subsidiaries in Australia as on March 31, 2018. Further the Company has 3 (three) associate companies and 1 (one) joint venture as on March 31, 2018.

The Consolidated Financial Statements presented by the Company include financial results of all its subsidiaries. The Audited Financial Statements of the subsidiary companies have been reviewed by the Audit Committee and the Board.

Most of the subsidiaries and joint ventures of the Company have not commenced operations and their contribution to the overall performance of the Company is insignificant.

Pursuant to an order of Hon'ble Calcutta High Court dated January 24, 2017, Andal East Coal Company Pvt. Ltd, a joint venture of the Company is under liquidation.

Further, Bhushan Energy Limited (BEL), an associate of the Company, has been admitted to the corporate insolvency resolution process under the Code since January 08, 2018 and is managed by the resolution professional approved by the committee of creditors. The Board of BEL has been suspended.

In terms of the applicable Accounting Standards, the Company has lost significant influence over BEL and this has been accordingly dealt with while preparing the consolidated financial statements of the Company.

I. AUDITORS

Statutory Auditors

Members of the Company at the Annual General Meeting ("AGM") held on September 16, 2017, ratified the appointment of M/s. Mehrotra & Mehrotra, Chartered Accountants as the statutory auditor from the conclusion of the 34th AGM till the conclusion of the 35th AGM.

Post the Acquisition, M/s. Mehrotra & Mehrotra, Chartered Accountants resigned as the statutory auditor of the Company with effect from May 29, 2018.

The Board, on the recommendation of the Audit Committee, appointed M/s Walker Chandok & Co LLP, Chartered Accountants (Registration No: 001076N/N500013) ("WCC") as the statutory auditor to fill the vacancy caused by the resignation of the existing statutory auditor, subject to the approval of the shareholders. WCC shall hold office upto the conclusion of the ensuing AGM. The Company sought the approval of members of the Company in respect of the aforesaid appointment by postal ballot notice dated July 11, 2018. The results of the postal ballot were announced on August 21, 2018. The resolution appointing WCC as statutory auditors of the Company was duly passed.

The tenure of WCC as the statutory auditor will expire on the conclusion of the ensuing AGM. The Board, on the recommendation of the Audit Committee, has proposed the appointment of WCC as the statutory auditor for a period of 5 (five) years. The resolution for appointment of auditors forms part of the notice convening the AGM.

WCC has audited the book of accounts of the Company for the financial year ended March 31, 2018 and has issued a qualified auditors' report thereon. The qualifications in the auditor's report are given hereunder:

- a) The statutory auditors of the Company have expressed a qualified opinion on the standalone and consolidated financial results of the Company for the year ended March 31, 2018. The cumulative impact of the same on turnover, total expenditure, profit or loss and earning per share of the Company for the year ended is ₹ Nil, ₹ 2,019.11 crore, ₹1,968.76 crore and decrease of ₹86.92 per share respectively. As the qualification pertains to the prior period adjustments in the financial results for the year ended March 31, 2018, there is no cumulative impact thereof on the balance sheet of the Company as of that date.

In connection with the same qualification, the auditors expressed that during the period under review (April 2017 through March 2018) the Internal Financial Controls over financial reporting is materially weak. Given that the qualification pertains to the prior period, we are not in a position to comment on the said qualification. However, the Company is putting in place appropriate systems and processes to strengthen the internal financial controls.

- b) The auditors report that the Directors of the Company as on March 31, 2018, were disqualified from being appointed as Directors in terms of Section 164(2) of the Act. Post the NCLT order dated May 15, 2018, the erstwhile Directors of the Company are deemed to have resigned/vacated the office. Hence none of the erstwhile Directors continue as Members of the Board.

- c) The statutory auditors of the Company have stated in their report that "Pursuant to the initiation of CIRP and the requirements of Section 25(2)(j) of IBC, the Resolution Professional appointed by the NCLT identified certain transactions covered under Sections 43 to 51 and 66 of the IBC. These transactions were submitted with NCLT, crystallisation of amount / Future course of action will be carried out based on the judgement/order of NCLT. Further, based on the information and explanations provided to us, certain former key management personnel of the Company are subject matter of investigations by the Government Authorities, which is currently underway and the Company is yet to get any communication in this respect from the government agencies till the balance sheet date. Except these transactions, no fraud by the Company or on the Company by its officers or employees has been noticed during the period covered by our audit."

The qualification/emphasis of matter in the auditors report pertains to the period prior to the Directors of the Reconstituted Board taking office. The Reconstituted Board is continuously working from May 18, 2018, towards analyzing the financial and operational affairs of the Company for any fraudulent transactions, errors or omissions.

The Company states that it will address the issues arising from the discovery of fraudulent transactions or any other issues relating to the financial and operational affairs of the Company, if and when discovered, in accordance with law. The Company reserves its right under the applicable laws to seek appropriate remedies.

Cost Auditors

In terms of Section 148 of the Act, the Company is required to maintain cost records and have the audit of its cost records conducted by a cost accountant. Cost records are made and maintained by the Company as required under Section 148(1) of the Act. The Board of Directors at its meeting held on July 5, 2017 appointed M/s Kabra & Associates, Cost Auditors to conduct the Cost Audit for the Financial Year 2017-2018.

For the financial year ending March 31, 2019, the Board of Directors of the Company has, on the recommendation of the Audit Committee, approved the appointment of M/s Shome & Banerjee as the cost auditors of the Company. M/s Shome & Banerjee have vast experience in the field of cost audit.

In accordance with the provisions of Section 148(3) of the Act read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the cost auditors as recommended by the Audit Committee and approved by the Board has to be ratified by the members of the Company. Accordingly, an appropriate resolution for the proposed remuneration of ₹ 7 Lakh (Rupees Seven Lakh) plus applicable taxes and out-of-pocket expenses payable to the cost auditors for the Financial Year ending March 31, 2019, forms part of the notice convening the next AGM.

Secretarial Auditors

Section 204 of the Act inter-alia requires every listed company to annex with its Board's report, a secretarial audit report given by a Company Secretary in practice, in the prescribed form.

The Board appointed R. K Rai, practicing Company Secretaries, as secretarial auditor to conduct a secretarial audit of the Company for the financial year 2017-18. The secretarial auditor has made certain observations in the report. Pursuant to the Acquisition and the IBC Order dated May 15, 2018 passed by the NCLT, there has been a change in the Board and the management of the Company. Given that the observations pertain to the prior period, we are not in a position to comment on the said observations.

Post-Acquisition, the Board, at its meeting held on August 9, 2018 has appointed M/s PI & Associates to conduct a secretarial audit of the Company for the financial year 2018-19.

J. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

On May 15, 2018, the NCLT approved the resolution plan submitted by TSL. Pursuant to the IBC Order, Barnipal acquired the shares of the Company on May 18, 2018 in accordance and compliance with the provisions of the Code.

The IBC Order was challenged by the members of the Erstwhile Promoter Group of the Company and various other parties before the National Company Law Appellate Tribunal ("NCLAT"). The NCLAT, while dismissing the appeals, has confirmed and upheld the NCLT Order as passed by the NCLT thereby approving the Acquisition, through its order dated August 10, 2018.

It is pertinent to reiterate that the Approved Resolution Plan is binding on the Company and its employees, members, creditors, guarantors and other stakeholders involved. Contravention of any provisions of the Approved Resolution Plan may attract penal consequences in accordance with the provisions of the Code. Accordingly, the Company will be taking measures towards ensuring implementation of the Approved Resolution Plan.

Besides the above, to the best of our knowledge there seems to have been no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations.

However, members' attention is drawn to the statement on contingent liabilities, commitments in the notes forming part of the financial statements.

On behalf of the Board of Directors

sd/-
TV NARENDRA
Chairman
DIN: 03083605

August 22, 2018
Jamshedpur

INDEPENDENT AUDITOR'S REPORT STANDALONE FINANCIAL STATEMENTS

To the Members of Bhushan Steel Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Bhushan Steel Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these standalone financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's

Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on these standalone financial statements.

Basis for Qualified Opinion

8. As explained in note 28(iii) to the standalone financial statements, the Company has accounted for certain prior period errors in the financial statements for the year ended 31 March 2018. Under Ind AS 8, "Accounting policies, changes in accounting estimates and errors", errors that occurred prior to 1 April 2016 should have been retrospectively corrected by restating the balances of respective assets and liabilities and equity as at 1 April 2016 and errors that occurred in year ended 31 March 2017 should have been retrospectively corrected by restating the comparative amounts as at 31 March 2017 and for the year then ended.

Had the prior period errors been appropriately accounted for in accordance with Ind AS 8:

- Other non-current assets, non-current borrowings and other financial liabilities as at 1 April 2016 would have increased by ₹ 18,814.00 lacs, ₹ 89,645.86 lacs and ₹ 2,962.18 lacs, respectively and property, plant and equipment, deferred tax liabilities and equity as at that date would have decreased by ₹ 121,349.09 lacs, ₹ 2,775.54 lacs and ₹ 192,367.59 lacs respectively;
- Depreciation, finance costs and deferred tax credit for the year ended 31 March 2017 would have increased by ₹ 9,486.52 lacs, ₹ 12,277.82 lacs and ₹ 2,257.94 lacs respectively and other expenses for the year then ended would have decreased by ₹ 14,997.82 lacs respectively. Accordingly, the loss after tax for the year ended 31 March 2017 would have increased by ₹ 4,508.58 lacs;
- Other non-current assets, non-current borrowings and other financial liabilities as at 31 March 2017 would have increased by ₹ 18,571.82 lacs, ₹ 86,074.90 lacs and ₹ 3,570.96 lacs, respectively and property, plant and equipment, deferred tax liabilities and equity as at that date would have decreased by ₹ 130,835.61 lacs, ₹ 5,033.48 lacs and ₹ 196,876.17 lacs respectively; and
- Exceptional items in the statement of profit and loss for the year ended 31 March 2018 would have decreased by ₹ 201,909.65 lacs and accordingly, loss after tax would have decreased by ₹ 196,876.17 lacs.

Further, as at 31 March 2017, the Company had classified certain financial liabilities as non-current liabilities even though the Company was in breach of material provisions of certain long-term loan arrangements and the lenders had not agreed, before the date of approval of the financial statements for the year then ended, to not demand payment as a consequence of the breach. Accordingly, the liabilities towards such lenders had become payable on demand, and in accordance with the requirements of Ind AS 1, 'Presentation of financial statements', should have been classified as current liabilities. In the absence of the requisite information, the impact of such misstatement on the balance sheet as at 31 March 2017 cannot be ascertained.

Qualified Opinion

9. In our opinion and to the best of our information and according to the explanations given to us, except for the effects (to the extent ascertained) of the matter described in the Basis for Qualified Opinion paragraph above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2018, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

10. We draw attention to Note 42 to the standalone financial statements which describes the status of Corporate Insolvency Resolution Process that the Company underwent, which was subsequently concluded on 15 May 2018. We also draw attention to Note 28 to the standalone financial statements which describes certain related exceptional items (other than the prior period errors dealt with above) recognised during the year ended 31 March 2018. Our opinion is not modified in respect of these matters.

Other Matter

11. The comparative financial information for the year ended 31 March 2017 included in the accompanying standalone financial statements was jointly audited by M/s Mehra Goel & Co. and M/s Mehrotra & Mehrotra, whose audit report dated 5 July 2017 expressed qualified opinion. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

12. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
13. Further to our comments in Annexure A, as required by Section 143(3) of the Act, we report that:
- we have sought and except for the effects (to the extent ascertained) of the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - except for the effects (to the extent ascertained) of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - the standalone financial statements dealt with by this report are in agreement with the books of account;

- except for the effects (to the extent ascertained) of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;
- the directors of the Company as of 31 March 2018 are disqualified from being appointed as directors in terms of Section 164(2) of the Act (also refer Note 44 to the accompanying standalone financial statements);
- the qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph;
- we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 9 August 2018 as per Annexure B expressed qualified opinion;
- with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - the Company, as detailed in Note 41(A) to the standalone financial statements, has disclosed the impact of pending litigations on its financial position;
 - the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
 - the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandio & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Neeraj Sharma
Partner
Membership No.: 502103

Place: Mumbai
Date: August 9, 2018