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## **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 6, 2019)

**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*

**Chief Financial Officer**

Mr. Sanjib Nanda

**Company Secretary & Compliance Officer**

Ms. Nisha Anil Seth

**Registered Office**

Ground Floor, Mira Corporate Suites, Plot No. 1 & 2,  
Ishwar Nagar, Mathura Road, New Delhi – 110065

Tel & Fax: 91-11-39194000, 91-11-41010050

Email: [tsbsl@tatasteelbsl.co.in](mailto:tsbsl@tatasteelbsl.co.in)

Website: [www.tatasteelbsl.co.in](http://www.tatasteelbsl.co.in)

**Corporate Office**

Jasmine Tower, Ground & 1<sup>st</sup> Floor,  
31 Shakespeare Sarani, Kolkata – 700071  
West Bengal

Tel: 91-33-40859600

**Plant Locations**

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

Plot No-104/3, SIPCOT Industrial Complex  
SIPCOT Phase - 1, Hosur, Tamil Nadu – 635 126, 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

Fax: 91-11-2638 7322

Email: [investor.services@rcmcdelhi.com](mailto:investor.services@rcmcdelhi.com)

Website: [www.rcmcdelhi.com](http://www.rcmcdelhi.com)

# TATA STEEL BSL

## BOARD'S REPORT

To the Members,

Your Directors take pleasure in presenting the 36<sup>th</sup> Annual Reports on the business and operations of your Company, along with the summary of the standalone and consolidated financial statements for the year ended March 31, 2019.

As informed to the Members last year, Bamnipal Steel Limited, a wholly owned subsidiary of Tata Steel Limited, acquired the Company on May 18,

2018 through the corporate insolvency resolution process ('CIRP Process') under the Insolvency and Bankruptcy Code, 2016 ('IBC') (the 'Acquisition'). Post-Acquisition, the Board of Directors of the Company ('Board') was re-constituted and a new management ('New Management') was put in place to implement the Resolution Plan as approved by the National Company Law Tribunal, Principal Bench, New Delhi ('NCLT') vide its Order dated May 15, 2018 ('NCLT Order') ('Approved Resolution Plan' or 'Resolution Plan').

The financial results presented herein should be read in the above context.

### A. FINANCIAL RESULTS

Particulars	(₹crore)			
	Standalone		Consolidated	
	2018-19	2017-18	2018-19	2017-18
Gross revenue from operations	20,891.60	17,404.43	20,891.60	17,404.43
Total expenditure before finance cost, depreciation (net of expenditure transferred to capital)	17,093.04	15,199.57	17,094.29	15,200.29
Operating Profit	3,798.56	2,204.85	3,797.31	2,204.14
Add: Other income	132.44	95.08	132.44	95.08
Profit / (Loss) before finance cost, depreciation, exceptional items and taxes	3,931.00	2,299.93	3,929.76	2,299.22
Less: Finance costs	3,752.18	6,304.90	3,752.18	6,304.90
Profit / (Loss) before depreciation, exceptional items and taxes	178.82	(4,004.97)	177.58	(4,005.68)
Less: Depreciation	1,441.74	1,785.66	1,441.74	1,785.66
Profit / (Loss) before share of profit / (loss) of joint ventures & associates, exceptional items & tax	(1,262.92)	(5,790.63)	(1,264.16)	(5,791.34)
Share of profit / (loss) of Joint Ventures & Associates	-	-	-	-
Profit / (Loss) before exceptional items & tax	(1,262.92)	(5,790.63)	(1,264.16)	(5,791.34)
Add / (Less): Exceptional Items (Refer note)	2,976.01	(23,344.68)	2,976.01	(23,096.69)
Profit / (Loss) before taxes	1,713.09	(29,135.31)	1,711.85	(28,888.03)
Less: Tax Expense / (income)	-	(4,321.84)	-	(4,321.84)
<b>(A) Profit/(Loss) after taxes</b>	<b>1,713.09</b>	<b>(24,813.47)</b>	<b>1,711.85</b>	<b>(24,566.19)</b>
<b>(B) Net Profit / (Loss) for the period</b>	<b>1,713.09</b>	<b>(24,813.47)</b>	<b>1,711.85</b>	<b>(24,566.19)</b>
Total Profit / (Loss) for the period attributable to:				
Owners of the Company	-	-	1,711.89	(24,565.88)
Non-controlling interests	-	-	(0.04)	(0.31)
<b>(C) Total other comprehensive income / (Loss)</b>	<b>5.17</b>	<b>(2.93)</b>	<b>5.04</b>	<b>(2.87)</b>
<b>(D) Total comprehensive income for the period [ B + C]</b>	<b>1,718.26</b>	<b>(24,816.40)</b>	<b>1,716.89</b>	<b>(24,569.06)</b>

Notes: The exceptional items include:

Particulars	(₹crore)	
	Year ended March 31, 2019	Year ended March 31, 2018
(i) Effects of implementation of Resolution Plan (refer note below)	3,159.27	-
(ii) Provision for impairment in property, plant & equipment and other assets (refer note below)	(183.27)	(20,759.02)
(iii) Provision for impairment in financial assets (refer note below)	-	(238.34)
(iv) Other exceptional items (refer note below)	-	(2,347.33)
<b>Total</b>	<b>2,976.01</b>	<b>(23,344.68)</b>

#### 1. Effects of implementation of Resolution Plan

Pursuant to the CIRP Process and implementation of the Resolution Plan, there has been a gain of ₹3,159.27 crore on account of the following:

- Operational creditors' extinguishment - ₹552.12 crore
- Redemption of Preference Shares & waiver of related interest obligation - ₹2,425 crore
- Extinguishment of dues towards financial creditors on account of pledged shares invocation - ₹181.58 crore

#### 2. Provision for impairment on property, plant & equipment and other assets

- Provision for impairment of property, plant and equipment - ₹52.19 crore.
- Provision for impairment of certain non-current advances - ₹178.38 crore.



- c. Net reversal of provision for impairment made in earlier year - ₹47.30 crore

### 3. Exceptional items recognized in previous year financial statements

- a. 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.
- b. 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.
- c. Other exceptional items for the year ended March 31, 2018 include prior period items of ₹2,019.91 crore comprising the following:
- Amortization 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 amortization from inception until the year ended March 31, 2017 has been recognized in previous 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 recognized with corresponding finance lease obligation. Cumulative effect of reversal of operating lease rentals and booking of depreciation and finance cost from inception until the year ended March 31, 2017 has been recognized in previous year's profit or loss in 'exceptional items'.

### B. FINANCIAL PERFORMANCE AND STATE OF AFFAIRS

During the year, the total turnover from operations was ₹20,891.60 crore (previous year: ₹17,404.43 crore). The increase in turnover was mainly due to increase in sales volume and average realizations. During the year, the Company recorded a net profit of ₹1,713.09 crore (previous year: Net Loss ₹24,813.47 crore). This is primarily due to exceptional income booked in current year against exceptional charges booked in previous year. Further, there has been a reduction in finance cost due to reduction in high cost borrowings. The basic and diluted earnings per share for financial year 2018-19 were at ₹17.45 and ₹1.05 respectively.

### C. CAPEX AND LIQUIDITY

During the year, the Company has repaid ₹222 crore to capital creditors (operational creditors covered under Resolution Plan). Further, the Company spent ₹132 crore on capital projects, largely towards balancing facilities and essential sustenance capital projects.

As on March 31, 2019, the liquidity position of the Company was ₹1,872 crore [excluding Fixed Deposit(s) ('FDs') under Lien of ₹157 crore for opening of Letters of Credit with Banks] as against ₹492 crore as on March 31, 2018 (excluding FDs under Lien of ₹426 crore).

Further, the Company has undrawn borrowing facilities amounting to ₹557 crore, at the end of the reporting year to which the Company had access.

### D. DIVIDEND

The Company has recorded a net profit of ₹1,713.09 crore during the financial year ended March 31, 2019 which includes an exceptional gain of ₹2,976 crore. The exceptional gain is mainly on account of gain on redemption of preference shares and trade payable extinguishment in line with the Approved Resolution Plan.

However, considering the net profit arising out of exceptional gains being non cash in nature, ramp up plan to reach rated capacity of the main facilities which will require capital investment and the fact that the Company is in the stabilisation stage post the CIRP Process, the Board of Directors of the Company has decided not to recommend any dividend to the shareholders of the Company for the financial year ended March 31, 2019.

### E. TRANSFER TO RESERVES

The Board has decided to retain the entire amount of profit for financial year 2018-19.

### F. MATERIAL DEVELOPMENTS DURING THE FINANCIAL YEAR

As mentioned above, the Company was acquired on May 18, 2018, by Bamnival Steel Limited ('Bamnival'), a wholly-owned subsidiary of Tata Steel Limited, through the CIRP Process under the IBC.

Pursuant to the NCLT Order and the Resolution Plan, on May 18, 2018, Bamnival was allotted 79,44,28,986 (Seventy-Nine Crore Forty-Four Lakhs Twenty-Eight Thousand Nine Hundred and Eighty-Six) equity shares of face value ₹2/- (Rupees Two) per share for cash. Pursuant to the allotment, Bamnival holds 72.65% (Seventy-Two Point Sixty Five Percent) of the total paid-up equity share capital of the Company and has been classified as the promoter of the Company.

Further, on May 18, 2018, 7,24,96,036 (Seven Crore Twenty-Four Lakh Ninety-Six Thousand and Thirty-Six) equity shares of face value ₹2/- (Rupees Two) per share were allotted to eligible financial creditors on conversion of their existing loans. Further, debts of eligible financial creditors were also paid ₹35,200 crore in the manner provided in the Resolution Plan.

Pursuant to the Acquisition, the following key events took place in the Company during Financial Year 2018-19:

#### (i) Change in Name of the Company

In order to align to the Tata brand and also to give the Company a singular identity with the Tata Group, the Board considered it desirable to change the name of the Company. The shareholders at the Annual General Meeting of the Company held on September 25, 2018 approved the proposal of change in name of the Company and consequently, with the approval of the Central Government, the name of the Company was changed from Bhushan Steel Limited to Tata Steel BSL Limited effective November 27, 2018.

#### (ii) Increase in Authorized Share Capital of the Company

The Board approved the increase in authorized share capital of the Company from ₹ 9,520 crore (Rupees Nine Thousand Five Hundred Twenty Crore) consisting of 4,650 crore (Four Thousand Six Hundred

and Fifty Crore) equity shares of ₹2/- (Rupees Two) each and 2.20 crore (Two Crore Twenty Lakhs) preference shares of ₹100/- (Rupees One Hundred) each to **₹33,520 crore** (Rupees Thirty-three Thousand Five Hundred and Twenty crore) consisting of 4,650 crore (Four Thousand Six Hundred and Fifty Crore) equity shares of ₹2 (Rupees Two) each, 2.20 crore (Rupees Two Crore Twenty Lakhs) preference shares of ₹100 (Rupees One Hundred Crore) each and 2,400 crore (Rupees Two Thousand Four Hundred Crore) preference Shares of ₹10 (Rupees Ten) each.

The increase in the Authorized Share Capital was approved by the Members of the Company at the Extraordinary General Meeting held on March 11, 2019.

**(iii) Offer, issue and allotment of Non-Convertible Redeemable Preference Shares and Optionally Convertible Redeemable Preference Shares to Tata Steel Limited on private placement basis**

The Board at its meeting held on January 9, 2019 approved the issue of up to ₹12,000 crore (Rupees Twelve Thousand Crore), Non-Convertible Redeemable Preference Shares ('NCRPS'), and up to ₹12,000 crore (Rupees Twelve Thousand Crore) Optionally Convertible Redeemable Preference Shares ('OCRPS') on private placement basis to Tata Steel Limited.

The Members of the Company at its Extraordinary General Meeting held on March 11, 2019 approved the offer and issuance of 11.09% NCRPS for an amount not exceeding ₹12,000 crore (Rupees Twelve Thousand Crore) and 8.89% OCRPS for an amount not exceeding ₹12,000 crore (Twelve Thousand Crore) to Tata Steel Limited, on private placement basis.

Subsequently, the Board allotted in tranches, 1,070 crore (One thousand and seventy crore) NCRPS at a price of ₹10 (Rupees Ten) per share aggregating to ₹10,700 crore (Rupees Ten Thousand Seven Hundred) and 900 crore (Nine Hundred Crore) OCRPS at ₹10 (Rupees Ten) per share aggregating to ₹9,000 crore (Rupees Nine Thousand Crore) to Tata Steel Limited, on private placement basis.

**(iv) Shifting of Registered Office**

**a. Within the local limits**

On July 11, 2018, the Board approved the shifting of the Registered Office from Bhushan Centre, Ground Floor, Hyatt Regency Complex, Bhikaji Cama Place, New Delhi – 110 066 to B-9 to 12 (Old no. B 81/81-O), Okhla Industrial Area Ph-1, New Delhi – 110 020 with effect from August 1, 2018.

Further, on November 30, 2018, the Board approved the shifting of the Registered Office to Ground Floor, Mira Corporate Suites, Plot No. 1 & 2, Ishwar Nagar, Mathura Road, New Delhi – 110 065. The Registered Office was shifted with immediate effect.

**b. From one State to another State**

The Members of the Company at the Extraordinary General Meeting held on March 11, 2019 approved the shifting of the Registered Office of the Company from the National Capital Territory of Delhi to the State of Maharashtra. The process of shifting is currently underway.

**G. MATERIAL CHANGES POST CLOSURE OF FINANCIAL YEAR**

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year to which the financial statements relate i.e., March 31, 2019 and the date of this Report.

**H. CORPORATE SOCIAL RESPONSIBILITY ('CSR')**

Your Company is committed towards improving the quality of life of the communities in the areas it operates, through its various CSR initiatives.

Post the Acquisition, the Company reconstituted the Corporate Social Responsibility and Sustainability Committee ('**CSR&S Committee**' or '**Committee**'). The details of the composition of the CSR&S Committee are provided in the Corporate Governance Report.

The Corporate Social Responsibility & Sustainability Policy ('**CSR&S Policy**') was adopted by the Board on July 11, 2018. The CSR&S Policy enables the Committee to assist the Board in formulating, monitoring and reviewing the CSR&S strategy and the amount of expenditure to be incurred on various CSR&S activities. Further, the CSR&S Policy provides for the Committee to review and recommend to the Board the annual budget for CSR&S.

The CSR&S Policy is available on the website of the Company [www.tatasteelbsl.co.in](http://www.tatasteelbsl.co.in). A web link for the same is provided in the Corporate Governance Report.

Your Company had in the preceding 3 (Three) financial years incurred losses and hence the Company was not mandatorily required to spend amounts towards CSR&S activities during the Financial Year 2018-19. However, as a good corporate citizen, ₹5.73 crore (Rupees Five Crore Seventy Three Lakhs) was spent in Financial Year 2018-19 towards various CSR&S activities. These activities are in alignment with the focus initiatives of the Tata Group that lays emphasis on four thrust areas – Education, Health, Livelihood and Rural and Urban infrastructure.

**I. CORPORATE GOVERNANCE**

The Corporate Governance Report for Financial Year 2018 -19 as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as '**Listing Regulations**') forms part of the Annual Report. The certificate from a practicing Company Secretary on compliance(s) with the corporate governance norms forms part of the Corporate Governance Report.

**1. Board Meetings**

The Board met thirteen (13) times during the year, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period as prescribed under the Companies Act, 2013 ('**Act**') and the Listing Regulations.

**2. Selection of New Directors and Board Membership Criteria**

The Nomination and Remuneration Committee ('**NRC**') works with the Board to identify the requisite skills and expertise of Board members in order to have a Board with diverse backgrounds and wide experience in business, industry, government, education and public service. Characteristics expected of all Directors include independence, integrity, high personal and professional ethics, sound business judgement, ability to participate constructively in deliberations and willingness to exercise authority in a collective manner.

The Policy on Appointment and Removal of Directors ('Policy') was approved by the Board on July 11, 2018 and was subsequently revised on March 26, 2019 to incorporate the changes in regulatory requirements pertaining to criteria for determining independence of a Director.

The objective of the Policy is to lay down criteria and terms and conditions with regards to the identification of persons who are qualified to become Directors (executive, non-executive and independent) including their qualifications, positive attributes and independence as well as to lay down criteria to identify persons who may be appointed as the Senior Management of the Company.

The salient features of the policy are:

- i. It acts as a guideline for matters relating to appointment and re-appointment of directors.
- ii. It contains guidelines for determining qualifications, positive attributes for Directors and independence of a Director.
- iii. It lays down the criteria for Board Membership
- iv. It sets out the approach of the Company on board diversity
- v. It lays down the criteria for determining independence of a Director, in case of appointment of an Independent Director

The Policy is available on the website of the Company <http://www.tatasteelbsl.co.in>. A web link for the same is provided in the Corporate Governance Report.

### 3. Familiarization Programme for Independent Directors

Independent Directors ('IDs') inducted to the Board are provided orientation on the Company's business operations, products, organization structure as well as the Board constitution and its procedures through various programmes/presentations. The IDs are also provided with an opportunity to visit the Company's plants.

At various Board meetings during the year, presentations were made to the Board on safety, health and environment issues, company policies, changes in the regulatory environment applicable to the Company and the industry, and other relevant issues.

During the year, four (4) Independent Directors were inducted to the Board. Details of familiarization given to the Independent Directors in the areas of business, strategy, governance, operations, safety, health, environment are available on the website of the Company at <http://tatasteelbsl.co.in/Investor%20Relations%20pdf/OtherImpDocuments/Familiarisation%20Programme%20for%20Independent%20Directors.pdf>

### 4. Board Evaluation

During the year under review, the Board carried out an evaluation of its performance, its Committees and of individual Directors. During the process, the Board sought feedback from Directors on various aspects of governance and performance. The Board also considered the feedback of the NRC and of the Independent Directors. The NRC and Independent Directors also carried out review of the Board, the Chairman, Executive Director and the Non-Executive Directors.

### 5. Remuneration Policy for the Board and Senior Management

In terms of the provisions of Section 178(3) of the Act and based on the recommendations of the NRC, the Board approved and adopted

the Remuneration Policy for Directors, Key Managerial Personnel and all other employees of the Company ('Remuneration Policy').

The Remuneration Policy lays down parameters on which remuneration is decided and paid to the Managing Director, Executive Directors, KMPs and employees of the Company.

The Remuneration Policy was approved and adopted by the Board on July 11, 2018 and was subsequently revised on March 26, 2019 to incorporate the changes in regulatory requirements pertaining to recommendation by NRC to the Board with respect to remuneration payable to the Managing Director / Executive Director and remuneration payable to the Senior Management and Key Managerial Personnel.

The revised Remuneration Policy is available on the website of the Company at [www.tatasteelbsl.co.in](http://www.tatasteelbsl.co.in). The web link of the same is provided in the Corporate Governance Report.

### 6. Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act, read with Rules 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this Report as **Annexure - 1**.

### 7. Independent Directors' Declaration

The Company has received the necessary declarations from each Independent Director in accordance with Section 149(7) of the Act, read with Rules 16 and 25(8) of the Listing Regulations, confirming that he/she meets the criteria of independence as laid out in Section 149(6) of the Act and Regulations 16(1)(b) and 25(8) of the Listing Regulations.

### 8. Directors

All changes in connection with appointment/ cessation of Directors for the period between May 18, 2018 through August 22, 2018 is disclosed appropriately in the Directors Report of 2018. Investors' attention is drawn to Page No. 4 of the Directors' Report dated August 22, 2018.

The Shareholders at the Annual General Meeting held on September 25, 2018 approved the appointment of Mr. Srikumar Menon as an Independent Director for the period August 9, 2018 through August 8, 2023.

### Re-appointment

In accordance with the provisions of the Act, Mr. T. V. Narendran will retire at the ensuing Annual General Meeting and being eligible, seeks reappointment. The Board recommends his re-appointment.

### Key Managerial Personnel

Pursuant to the provisions of Section 203 of the Act, the following are the Key Managerial Personnel ('KMP') of the Company as on the date of this Report:

- i. Mr. Rajeev Singhal - Managing Director;
- ii. Mr. Sanjib Nanda – Chief Financial Officer; and
- iii. Mr. O. P. Davra – Vice President (Corporate Affairs) & Company Secretary.

The remuneration and other details of the Key Managerial Personnel for FY 2018-19 are provided in Extract of the Annual Return which forms part of this Report.

## 9. Audit Committee

Pursuant to the Acquisition, the Audit Committee has been re-constituted and on July 11, 2018 the Board has approved the charter for the functioning of the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

The Audit Committee comprises of Mr. Krishnav Dutt (Independent Director & Chairman of Audit Committee), Ms. Neera Saggi (Independent Director), Mr. Srikumar Menon (Independent Director) and Mr. Koushik Chatterjee (Non – Executive Director). The Audit Committee met 6 (Six) times during the year. The details of the meetings held and attendance of Members during the year are given in the Corporate Governance Report.

## 10. Internal Financial Control Systems

During the year under review, your Company was under the CIRP Process until May 18, 2018 and a resolution professional was appointed by the NCLT to manage the Company's operations as a going concern. A new management was appointed on May 18, 2018. The new management has on best effort basis and considering the complexity of the operations, including challenges in implementing the Resolution Plan, put in place a framework for Internal Financial Controls. In the judgement of the Board, the said controls seem to be adequate, under the given circumstances.

## 11. Risk Management

During the year under review, your Company was under the CIRP Process until May 18, 2018 and a resolution professional was appointed by the NCLT to manage the Company's operations as a going concern. A new management was appointed on May 18, 2018. The new management has on best effort basis and considering the complexity of the operations, including challenges in implementing the Resolution Plan, put in place a framework of risk management to identify and mitigate risks to the strategic objectives of the Company.

## 12. Vigil Mechanism and Whistle Blower Policy

The Board of Directors on the recommendations of the Audit Committee, has approved a vigil mechanism that provides a formal mechanism for the Directors, employees and vendors to approach the Ethics Counselor/Chairman of the Audit Committee and make protective disclosures about the unethical behavior, actual or suspected fraud or violation of the Tata Code of Conduct ('TCOC'), or ethics policy, thereby ensuring that the activities of the Company are conducted in a fair and transparent manner.

The Vigil Mechanism comprises 3 (Three) policies viz., the Whistle Blower Policy for Directors & Employees, Whistle Blower Policy for Vendors and Whistle Blower Reward and Recognition Policy for Employees. The Policy is available on our website at [www.tatasteelbsl.co.in](http://www.tatasteelbsl.co.in). A web link for the same is provided in the Corporate Governance Report.

During the financial year 2018-19, the Company received 88 (Eighty Eight) whistle blower complaints, of which 73 (Seventy Three) complaints were investigated and appropriate actions were taken. Investigations are underway for the remaining 15 (Fifteen) complaints.

## 13. Credit Ratings

During FY 2018-19 CARE withdrew the D rating assigned to the Company's Working Capital Facilities and Non – Convertible Debentures ('NCDs') as the Company had repaid the bank facilities and NCDs pursuant to the Resolution Plan approved under the CIRP Process of the IBC.

Further, During FY 2018-19, CARE assigned following credit ratings :

S N.	Bank Facilities	Rating
1.	Long-term Bank Facilities -Term Loan	CARE AA; Stable (Double A; Outlook: Stable)
2.	Long-term / Short-term Bank Facilities - Fund based / Non-Fund based	CARE AA; Stable / CARE A1+ (Double A; Outlook: Stable /A One Plus)

## 14. Related Party Transactions

Your Company had successfully exited the CIRP Process on May 18, 2018 and pursuant to that a new audit committee was constituted on May 18, 2018. All related party transactions ('RPT') after May 18, 2018 have been approved by the new Audit Committee.

The material related party transaction(s) after May 18, 2018 have been approved by the shareholders. The particulars of material contracts or arrangements with related parties entered by the Company after May 18, 2018 is given in the prescribed Form AOC - 2 as **Annexure - 2**.

The policy on RPTs, as approved by the Board, is available on the Company's website [www.tatasteelbsl.co.in](http://www.tatasteelbsl.co.in). Weblink to the policy is given in the Corporate Governance Report.

[The Members are requested to read this section on related party transactions together with the disclosures made in paragraph 17 below.]

## 15. Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has zero tolerance for sexual harassment at workplace and post the Acquisition the Company has adopted a revised policy on Prevention, Prohibition and Redressal of Sexual Harassment at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

The Company has complied with the provisions relating to the constitution of the Internal Committee as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the Financial Year 2018-19, the Company did not receive any complaint of sexual harassment.

## 16. Directors' Responsibility Statement

Based on the framework for internal financial controls established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external agencies including audit of internal financial controls over financial reporting



by the statutory auditors and the reviews performed by the Management and the relevant Board committees, including the Audit Committee, and given the complexities faced by the New Management in the implementation of the Resolution Plan and stabilizing the operations and business affairs of the Company, the Board is of the opinion that, the Company's internal financial controls were adequate and effective during Financial Year 2018-19.

Accordingly, pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, the Board of Directors, to the best of its knowledge and ability, confirms that:

- a) in the preparation of the annual accounts for the financial year ended March 31, 2019, the applicable accounting standards have been followed with no material departures;
- b) we have selected such accounting policies, applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2019 and of the profit of the Company for that period;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts for the financial year ended March 31, 2019 have been prepared on a going concern basis;
- e) proper internal financial controls to be followed by the Company have been laid down and that such internal financial controls are adequate and are operating effectively; and
- f) proper systems to ensure compliance with the provisions of all applicable laws have been devised and that such systems are adequate and operating effectively.

## 17. Other Disclosures

As previously reported, the New Management had initiated the process of analyzing contracts entered by your Company prior to the CIRP Process and had reserved right to seek appropriate remedies. While the new Management has not concluded its analysis into various issues faced by the Company and that efforts are ongoing to analyze various contracts entered by the Company prior to the conclusion of the CIRP Process, the following may be noted:

- a) During the year under review, your Company has identified contracts entered prior to the conclusion of CIRP Process, the terms of which appear onerous and such contracts were entered with entities connected with the members of previous management:
  - i. The Company had entered into various lease/leave and license agreements for residential premises across India (**'Rental Agreements'**). The Company has terminated the Rental Agreements. The new Management had decided to terminate these Rental Agreements because it was of the view that these agreements were not entered into on arms-length basis and, in certain cases, the premises leased/licensed under such Rental Agreements were not being used for the Company purposes. The Company has sent legal notices to the lessors/

licensors and is also consulting the legal counsels to initiate appropriate legal proceedings to recover amounts as deemed due to the Company.

- ii. The Company had entered into a lease agreement (**'Vistrat Lease Agreement'**) with Vistrat Real Estates Pvt. Ltd (**'Vistrat'**). The Company terminated the Vistrat Lease Agreement on June 11, 2018 and the leased premises was vacated on September 10, 2018. The Hon'ble National Company Law Tribunal, New Delhi (**'NCLT'**) in its order dated February 26, 2019 has noted that the Vistrat was a related party of the Company during the tenure of the erstwhile Management and the transaction between the Company and Vistrat was deemed to be a preferential transaction. The Company is consulting its legal counsels to initiate appropriate legal proceedings to recover amount as deemed due to the Company.
- iii. The Company had entered into agreements for exports to certain non-resident entities which were connected to the erstwhile promoters (**'Non-Resident Entities'**) and the Company had also entered into arrangements for payment of commissions in relation to exports made to certain third parties. Such contracts and commission related arrangements were not entered on an arms' length basis. The Company has also not realized payments from the Non-Resident Entities for such exports within the period prescribed under the applicable FEMA Regulations (**'Export Proceeds'**). The present Management has sent legal notices to such Non-Resident Entities demanding recovery of the Export Proceeds or such other amounts as deemed due to the Company and is also consulting its legal counsels to initiate appropriate legal proceedings.
- (b) The Ministry of Corporate Affairs, Government of India, had ordered an investigation into the affairs of the Company by Serious Fraud Investigation Office (**'SFIO'**) through an order dated May 3, 2016. The Company has received letters from SFIO seeking information in relation to the erstwhile promoters, the Company (including certain contracts entered into by the Company), its material subsidiaries, joint ventures and associates etc. The new Management is in the process of evaluating some of the contracts, including contracts whose details have been sought by SFIO to determine whether they may be priced more efficiently and where necessary, the New Management is taking steps to progressively re-bid such contracts. Further, the Company is cooperating with the SFIO in relation to the ongoing investigation.
- (c) The Company was impleaded in a proceeding initiated by the Directorate of Enforcement (**'ED'**) relating to the confirmation of a Provisional Attachment Order (**'PAO'**) of ₹50,00,000 (**'PMLA Proceeding'**). The said amount of ₹50,00,000 was seized by the Central Bureau of Investigation (**'CBI'**) in relation to an allegation of payment of illegal gratification made against the previous Managing Director of the Company. Your Company is neither a party to the charge-sheet filed by the CBI on dated September 30, 2015 nor is the Company party to any trial proceeding connected with such allegation of payment of illegal gratification. Your Company contested the said PMLA proceedings, and the Adjudicating Authority, vide its Order dated September 24, 2018, refused to confirm the PAO in the said proceedings against the Company and other

defendants. The ED has filed an appeal against the order of the Adjudicating Authority before the Appellate Tribunal, Prevention of Money Laundering Act and notice has been issued. Your Company is contesting the appeal filed by the ED.

## **18. Subsidiaries, Joint Ventures and Associates**

The Company has 3 (three) wholly-owned subsidiaries in India and 4 (four) subsidiaries in Australia as on March 31, 2019. The Consolidated Financial Statements presented by the Company for the year ended March 31, 2019 include financial results of all its subsidiaries. The subsidiaries of the Company are not operating companies and their contribution to the overall performance of the Company is insignificant.

The Company has 3 (three) associate companies as on March 31, 2019, viz. Bhushan Energy Limited, Jawahar Credit and Holdings Private Limited and Bhushan Capital and Credit Services Private Limited. Further, Bhushan Energy Limited ('BEL'), an associate of the Company, has been admitted to the CIRP Process under the IBC since January 08, 2018 and is managed by the resolution professional approved by the Committee of Creditors ('BEL CoC'). The shareholders are requested to take note that the powers of the Board of BEL have been suspended and therefore, 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. The Shareholders are however requested to note that the BEL CoC has approved the resolution plan of Tata Steel Limited and BEL's resolution professional has approached the NCLT to approve Tata Steel Limited's resolution plan for BEL. The NCLT has completed the hearing and the final order has been reserved on November 15, 2018.

The remaining 2 (Two) associate companies, viz. Jawahar Credit and Holdings Private Limited and Bhushan Capital and Credit Services Private Limited, are entities connected with the members of previous management. Your Company has written to both of these associate companies and to the Registrar of Companies ('RoC') intimating that your Company should not be identified as the promoters of these 2 (two) associate companies. As such, your Company does not have any visibility on the business and operations of these 2 (two) associate companies.

The Company has 1 (one) joint venture company as on March 31, 2019. Pursuant to an order of Hon'ble Calcutta High Court dated January 24, 2017, Andar East Coal Company Pvt. Ltd, a joint venture of the Company is under liquidation.

A report on the performance and the financial position of the subsidiaries, associates and joint venture in Form AOC-1 is attached to this report as **Annexure – 3**.

## **19. Auditors**

### **Statutory Auditors**

The Company sought the approval of the Members of the Company *vide* postal ballot notice dated July 11, 2018 for appointment of M/s Walker Chandio & Co LLP, Chartered Accountants (Registration No: 001076N/N500013) ('WCC') as the statutory auditor to fill the vacancy caused by the resignation of the then statutory auditor, on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors *plus* reimbursement of out-of-

pocket expenses. The results of the postal ballot were announced on August 21, 2018.

The Members of the Company at the Annual General Meeting of the Company held on September 25, 2018 approved the appointment of WCC as the statutory auditor of the Company for a period of five years to hold office till the conclusion of the 40<sup>th</sup> Annual General Meeting to be held in the year 2023.

WCC has audited the book of accounts of the Company for the Financial Year ended March 31, 2019 and has issued auditors' report. The said report does not contain any qualification, reservation, adverse remark or disclaimer. During the year under review, the Statutory Auditors did not report any matter under Section 143(12) of the Act, and therefore no details are required to be disclosed under Section 134(3)(ca) of the Act.

### **Cost Auditors**

In terms of Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a Cost Accountant. Cost records are maintained by the Company as required under Section 148(1) of the Act. Based on the recommendation of the Audit Committee, the Board of Directors of the Company at its meeting held on April 17, 2019 has approved the appointment of M/s. Shome & Banerjee, Cost Accountants (Firm Registration No.000001), as the Cost Auditor of the Company to conduct Cost Audit for the year ending March 31, 2020.

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 ₹7,00,000/- (Rupees Seven Lakh only) plus applicable taxes and out-of-pocket expenses payable to the cost auditors for the Financial Year ending March 31, 2020 forms part of the Notice convening the AGM.

### **Secretarial Auditors**

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

The Board of Directors of the Company, in compliance with Section 204 of the Act, appointed M/s PI & Associates, Practising Company Secretaries, as the Secretarial Auditor to conduct the secretarial audit of the Company for FY 2018-19.

The Secretarial Auditor, in their report, have observed that the Company has complied with the provisions of all the applicable Acts, Rules, Regulations, Guidelines, Standards, etc., except the following:

- a. The Company has not filed the audited financials for the year ended March 31, 2018 within 60 days from the end of the financial year, since the *erstwhile* Board of Directors were replaced by the new Board and Management, pursuant to the Resolution Plan approved by the National Company Law Tribunal ('NCLT'), New Delhi Bench *vide* its Order dated May 15, 2018 under Insolvency and Bankruptcy Code, 2016 ('IBC'). In this regard, the reconstituted Board sought extension from SEBI for filing of audited financial results which was