DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 1st Integrated Report (prepared as per the framework set forth by the International Integrated Reporting Council) and the 109th Annual Accounts on the business and operations of your Company, along with the summary of standalone and consolidated financial statements for the year ended March 31, 2016.

A. Financial Results

(₹ crore)

	Tata Steel Standalone		Tata Steel Group	
	2015-16	**2014-15**	**2015-16**	**2014-15**
Net revenue from operations	**38,210.34**	41,785.00	**1,17,151.59**	1,39,503.73
Total expenditure before finance cost, depreciation (net of expenditure tansferred to capital)	**30,998.59**	31,776.20	**1,09,565.94**	1,26,967.98
Operating Profit	**7,211.75**	10,008.80	**7,585.65**	12,535.75
Add: Other income	**3,890.70**	582.78	**3,925.66**	796.18
Profit before finance cost, depreciation, exceptional items and taxes	**11,102.45**	10,591.58	**11,511.31**	13,331.93
Less: Finance costs	**1,460.27**	1,975.95	**4,128.64**	4,847.75
Profit before depreciation, exceptional items and taxes	**9,642.18**	8,615.63	**7,382.67**	8,484.18
Less: Depreciation	**1,933.11**	1,997.59	**5,081.84**	5,943.60
Profit before exceptional items and taxes	**7,709.07**	6,618.04	**2,300.83**	2,540.58
Add/(Less): Profit on sale of non-current investments	**104.29**	806.10	**179.95**	1,315.34
Add/(Less): Profit on sale of non-current assets	**-**	1,146.86	**-**	1,146.86
Provision for diminution in value of investments/doubtful advances	**(199.03)**	(198.40)	**(129.10)**	(338.30)
(Provision) / Reversal for impairment on non-current assets	**(51.51)**	136.29	**(9,720.59)**	(6,052.57)
Add/(Less): Provision for Demands & Claims	**(880.05)**	-	**(880.05)**	-
Add/(Less): Employee Separation Compensation	**(556.25)**	-	**(556.25)**	-
Add/(Less): Restructuring and other provisions	**-**	-	**7,131.17**	-
Profit before taxes	**6,126.52**	8,508.89	**(1,674.04)**	(1,388.09)
Less: Provision for current taxation	**1,433.06**	1,908.60	**1,631.14**	2,214.71
Less: Provision for MAT credit	**(152.17)**	(117.21)	**(152.56)**	(117.32)
Less: Provision for deferred taxation	**(55.32)**	278.38	**26.38**	470.02
Profit/(Loss) after taxes	**4,900.95**	6,439.12	**(3,179.00)**	(3,955.50)
Add/(Less): Minority interest	**-**	–	**108.94**	13.29
Add: Share of profit of associates	**-**	–	**20.74**	16.69
Profit/(Loss) after tax, minority interest and share of profit of associates	**4,900.95**	6,439.12	**(3,049.32)**	(3,925.52)
Distribution on Hybrid perpetual securities	**266.17**	266.11	**266.17**	266.11
Tax effect on distribution of Hybrid perpetual securities	**(92.11)**	(90.45)	**(92.11)**	(90.45)
Add: Balance brought forward from the previous year	**33,992.34**	29,430.58	**2,825.75**	8,848.24
Add: Adjustments on account of transitional adjustments	**-**	(127.80)	**-**	(136.24)
Balance	**38,719.23**	35,566.24	**(397.63)**	4,610.82
Which the Directors have apportioned as under to:-				
(i) Proposed dividend on Ordinary Shares	**776.97**	776.97	**776.04**	776.97
(ii) Tax on dividends	**149.31**	153.02	**163.94**	164.20
(iii) General Reserve	**-**	643.91	**31.78**	729.77
(iv) Statutory Reserve	**-**	–	**(219.67)**	66.63
(v) Special Reserve	**-**	–	**3.12**	1.20
(vi) Capital Redemption Reserve	**-**	–	**-**	46.31
Total Appropriations	**926.28**	1,573.90	**755.21**	1,785.08
Balance to be carried forward	**37,792.95**	33,992.34	**(1,152.84)**	2,825.75

Note:

During the year, the Company has the following exceptional items: provision for demands and claims (₹880 crore), charge on account of Employee Separation Scheme (ESS) under Sunhere Bhavishya Ki Yojana (SBKY) scheme (₹556 crore), impairment of assets at the Malda, Chhattisgarh project (₹125 crore), impairment of PPE relating to Strip UK assets (₹7,319 crore), Longs Steel (₹405 crore), Speciality, Bar, Packaging, Tubes and other businesses in the UK (₹444 crore) and Occupational Disease Claims (₹690 crore). The Company further had non-cash write-down of PPE and goodwill at certain subsidiaries (₹1,397 crore). Further, provision for write-off of total exposure at TSKZN at ₹144 crore and NatSteel Xiamen at ₹158 crore were also recorded during the year. These exceptional charges were partly offset by net credit on account of change in pension schemes at TSE (₹8,704 crore).

The exceptional items in Financial Year 2014-15 primarily represent the non-cash write down of goodwill and other assets of ₹1,273 crore and ₹5,118 crore respectively in certain non-performing business units within the Group, primarily relating to European operations partly offset by profit on sale of land at Borivali and profit on sale of Company's stake in Dhamra Port Company Limited.

DIVIDEND

The Board recommended a dividend of ₹8 per Ordinary Share on 97,12,15,439 Ordinary Shares of ₹10 each for the year ended March 31, 2016. (Financial Year 2014-15: ₹8 per Ordinary Share on 97,12,15,439 Ordinary Shares of ₹10 each).

The dividend on Ordinary Shares is subject to the approval of the shareholders at the Annual General Meeting (AGM) scheduled to be held on August 12, 2016. The dividend will be paid on August 16, 2016. The total dividend pay-out works out to 19% (Financial Year 2014-15:14%) of the net profit for the standalone results.

The Register of Members and Share Transfer Books will remain closed from July 30, 2016 to August 12, 2016 (both days inclusive) for the purpose of payment of the dividend for the Financial Year ended March 31, 2016 and the AGM.

CAPEX AND LIQUIDITY

During the year, the Company spent ₹11,486 crore on capex. A large portion of this was deployed towards the first phase of the 3 million tonnes Greenfield Kalinganagar Project in Odisha. Despite this significant spend, the Company was able to keep the gross debt level stable during the year.

The Company's liquidity position remains strong at ₹20,514 crore, which includes undrawn lines. The Company continues to pursue its strategy of exiting non-core assets.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis as required by the Listing Regulations is incorporated herein by reference and forms an integral part of this report **(Annexure 1).**

B. Integrated Report

Think of Society, not just the Business!

This principle is the very foundation of the Company and has been articulated by none other than our founder, J N Tata -*"In a free enterprise the community is not just another stakeholder in business but is in fact the very purpose of its existence."*

In furtherance of our commitment to society, commencing this year, we are delighted to present our 1st Integrated Report. Integrated Reporting is a concept that has been created to better articulate the broader range of measures that contribute to long-term value and the role organisations play in society. Central to this is the proposition that value is shaped increasingly by factors beyond financial performance, such as reliance on the environment, social reputation, human capital skills and others.

Our Integrated Reporting reflects our passion towards articulating a comprehensive value creation process. This process stems from our much desired approach of integrated thinking. We are in the process of identifying the interdependency between all the elements – internal and external – that materially affect our ability to create value for stakeholders over time.

C. External Environment

MACRO-ECONOMIC CONDITION

The Financial Year 2015-16 was a year of uncertainty with many surprises for the global markets. During the year, the global economy continued its modest pace of growth witnessing a GDP growth of around 3%. While the United States of America (USA) witnessed a mixed year, the Eurozone witnessed its highest growth (1.7%) since 2010. Growth in USA fell to 1.4% due to weak exports, lower domestic demand and decline in the non-residential investments. Growth in Japan fell significantly due to sharp drop in private consumption. Brazil, Middle-East and sub-Saharan Africa too fell short of expectations due to sharp fall in oil prices, decline in other commodity prices (especially metals) and geo-political/domestic conflicts. Fall in oil prices and geo-political disturbances have also affected Russia, which is already under recession. Global industrial production, particularly of capital goods, remained subdued in 2015 due to continuous depressed investment activity world-wide, primarily in energy and mining, coupled with the decline in China's manufacturing activity.

India was amongst the few bright spots and is one of the fastest growing major economy with a GDP growth rate of 7.6% in the Financial Year 2015-16 (a five year high).The growth is supported by various factors such as infrastructure development, industrial sector performance and moderate interest rates.

The year gone by has been particularly tough for the commodity businesses world over. It has witnessed volatile currency markets, a Black Monday in China, heightened geo-political tension in Russia with nearly all its neighbours, an interest rate hike by the US Federal Reserve (after almost a decade) and an eight-year low oil price. Dramatic slowdown in Chinese demand has adversely impacted the global metals and mining businesses.

ECONOMIC OUTLOOK

According to the International Monetary Fund (IMF), the global economy is expected to grow at approximately 3.2% in 2016. USA is showing signs of strong fundamentals (low unemployment, consumer spending etc.), which continue to support recovery. Asia contributed on an average two-thirds to the global economic growth in the past few years and is expected to continue driving this growth in 2016. Japan is expected to remain steady while China is expected to witness a marginal slowdown in growth.

Risks to global growth in the form of deflation, slowdown in China, lower commodity prices and interest rate hike in USA continue to weigh heavily on the growth momentum and outlook.

GDP growth in Europe is expected to remain low as the strength of supportive factors (accommodative monetary policy, low energy prices and Euro depreciation) diminishes, amidst uncertainty relating to Britain's referendum, migrant crisis and geo-political tensions. Europe continues to face multiple headwinds due to high debt levels, a fragile banking sector and increasing political impasse.

Prospects of higher growth in Financial Year 2016-17 are primarily dependent upon the economic performance of developing and emerging economies, especially India, as they continue to be the engine of global growth. Sustainable development, as envisaged by the IMF, may require global economies to adopt measures to improve labour markets, decrease debt and income inequality while addressing key issues like demographic shifts and climate change.

India is expected to continue its growth momentum in Financial Year 2016-17 on the back of robust manufacturing sector growth. Further, various measures such as 'Make in India', 'Smart Cities', 'Digital India' that the Government has been taking in the last couple of years are beginning to show results and the gradual implementation of structural reforms will continue to broaden and contribute towards higher growth.

D. Steel Industry

During the year, global steel demand stood at 1.5 billion tonnes, a decline of approximately 2.5% compared to the previous year. This drop has cast a shadow on the global growth. The steel demand in China was lower by 5.4% as compared to Financial Year 2014-15. Current forecasts suggest that the demand would fall by 4% in Financial Year 2016-17 and by 3% in Financial Year 2017-18. Also, the demand was significantly lower in other countries such as - Brazil by 16.7%, USA by 10.6%, Russia by 8.4% and Japan by 7%. For Financial Year 2015-16, the global crude steel production stood at 1,622.8 million tonnes, a decline of 2.8% compared to the previous year.

The Indian steel industry is the third largest producer of crude steel, only behind China and Japan. In India, the growth in production was driven by capacity expansion from approximately 80 million tonnes in Financial Year 2010-11 to 110 million tonnes in Financial Year 2014-15, a CAGR growth of 8%. During Financial Year 2015-16, the total steel demand stood at 80 million tonnes growing at 4.5% over the previous year. During the year, India continued to witness significant level of imports to the tune of 10 million tonnes as against 13 million tonnes last year, while initiatives like the safeguard duty and minimum import price have provided some relief to predatory pricing being followed by the exporting countries.

Steel demand in Europe grew by 2.3% to 150 metric tonnes (2014: 4.7%), mainly due to growth in the automotive sector. In 2015, the EU became a net importer of steel, for the first time since 2008. The increase was mainly fulfilled by imported steel from China.

OUTLOOK FOR STEEL INDUSTRY

The environment in the metals and mining industry will be challenging due to the weak demand and declining commodity prices. The forecasts from World Steel Association (WSA) suggest that the global steel demand is expected to decrease by 0.8% to 1,488 mtpa in 2016 after a contraction of 3% in 2015. The world steel market continues to suffer from weakness in the manufacturing sector and inadequate investments in the developed economies. The growth in advanced economies is expected to be modest owing to factors such as low productivity, unfavorable demographic trend, uncertainties in the political landscape and slowdown in activities on account of the ongoing financial crisis. This calls for growth in emerging markets and developing economies for recovery.

The continuous rebalancing of the Chinese economy has depressed the manufacturing sector, particularly related to metal products. Exports from other developing and developed countries have declined due to muted demand in China.

Likewise, steel demand in some emerging economies remained bleak owing to worsening of external environment on account of weak exports, low commodity prices, currency devaluation, capital outflows and other geo-political issues. Ongoing recession in a number of large emerging economies and difficult macroeconomic environments (including that of China), weaker terms of trade with tighter external financial conditions will continue to be causes of concern.

In the backdrop of the above environment, India's prospects seem bright with the Government of India taking several policy measures to support manufacturing, infrastructure and foreign investment. As per WSA, steel demand in the emerging and developing economies (excluding China) is expected to grow by 1.8% and 4.8% respectively in 2016.

E. Operations and Performance

TATA STEEL GROUP

The Tata Steel Group recorded total deliveries of 25.92 million tonnes in Financial Year 2015-16 as compared to 26.3 million tonnes during the previous year. During the Financial Year

2015-16, volumes of our Singapore subsidiary, NatSteel Holdings were lower by 37% as compared to the previous year. This was primarily on account of the company mothballing its China operations. Deliveries of our subsidiary company in Thailand, Tata Steel Thailand and of our subsidiary company in Europe, Tata Steel Europe were at the same levels as were during the previous year. However, the decrease in volumes was partly offset by higher volumes produced by Tata Steel India (approximately 9%).

For Financial Year 2015-16, the Group recorded a turnover of ₹1,17,152 crore. This is lower by 16% compared to Financial Year 2014-15 (₹1,39,504 crore). The EBITDA for the Group in Financial Year 2015-16 was ₹11,301 crore as compared to ₹12,745 crore for Financial Year 2014-15. The Group reported a consolidated loss after tax (after minority interest and share of profit of associates) of ₹3,049 crore as against a loss of ₹3,926 crore in Financial Year 2014-15. During the year, we recorded an exceptional charge of ₹3,975 crore as against ₹3,929 crore in Financial Year 2014-15.

INDIA

Globally, the steel industry encountered one of the most difficult phases of its business cycle during the year. The global steel prices were at their lowest levels since 2003.The slowdown of the Chinese economy reduced the global demand for steel and its domestic overcapacity pushed firms to export at aggressively lower prices. India witnessed increase in net steel imports by over 200% to 8 million tonnes. While the domestic demand increased by 4.5%, majority of the demand was serviced by imports.

Even during these challenging times, we continued to record strong growth by posting higher volumes by approximately 9% (total deliveries from India were 9.54 million tonnes and the turnover was ₹38,210 crore).The growth was strong across segments with the automotive and special products sales aggregately recording highest ever sales of 1.43 million tonnes, contributing to 15% of total sales. Our branded products and retail sales surged to 3.35 million tonnes which contributed to approximately 35% of total sales. Our largest brand 'TISCON' registered highest ever sales of 2.51 million tonnes, a growth of 13%. Our retail customers increased to around 30 lakh households across India.

During the year, there was a sharp decline in realisations owing to a significant drop in international prices. The prices, however, did pick up towards the end of the financial year due to Government led measures to restrict cheap imports into the country. The Company's Shikhar 25 initiative resulted in a savings of over ₹3,000 crore. Our profit centres (tubes, ferro alloys and minerals, wires business) also showed good performance and healthy growth.

We announced the commencement of commercial production at Kalinganagar, which over the next couple of years will be one of our key drivers to growth, in addition to helping us diversify our product portfolio.

EUROPE

During the year, the steel demand in the European Union (EU) grew by 3.5% (5.2 million tonnes). The domestic producers, however, were unable to benefit from this growth owing to increased imports of approximately 5.9 million tonnes at lower prices to the EU. In response to the import and price pressure, we made a tactical decision to focus on higher value sales in the UK rather than volume, which led to a 13% lower production than the previous year. Despite that, our deliveries were very close to the deliveries of the previous year (total deliveries from Europe were 13.6 million tonnes and the turnover was ₹67,402 crore).

We had a strong operational performance and witnessed productivity improvements in a number of areas, including record annual outputs at IJmuiden and Port Talbot hot strip mills, while maintaining our focus on quality. We have also started to see the cost benefits of the restructuring announcements we made during the year.

Since early 2014, our facility at IJmuiden has enhanced its performance and achieved the best EBITDA margin amongst its European peers. Factors such as low cost, improved technology and major investment for better product diversity have been the basis for increased competitiveness in a challenging market.

Tata Steel Europe (TSE) carried on with the implementation of a market differentiation strategy to achieve its mission of being its customers' long-term partner in the chosen markets by unlocking the potential of steel. Structured programmes were initiated for all market segments identified by strategic marketing with particular emphasis on the automotive, lifting & excavation, construction, energy & power and rail sectors.

SOUTH-EAST ASIA

The profitability of the operations in South-East Asia was adversely affected by influx of low priced material from China, poor market conditions and shrinking margins.

During the year, NatSteel Holdings (NSH) recorded a sales volume of 1.55 million tonnes. The turnover was ₹4,697 crore, about 48% lower than the previous year owing to lower deliveries on the back of the mothballing of its China operations. NSH continues to focus on cost improvement initiatives, downstream products and solutions business. It continues with an exports driven strategy to overcome dominance of cheap Chinese bar imports into the local market.

During the year, deliveries of Tata Steel Thailand (TSTH) increased marginally on higher exports. The Company recorded total sales of 1.15k tonnes. TSTH posted a turnover of ₹3,154 crore about 22% lower than the previous year primarily due to fall in commodity prices and cheap Chinese imports. TSTH continues to focus on lowering conversion cost, developing alternate supplier sources and reduction in inventory in a volatile market.

F. Strategy

Globally, the steel industry is affected by significant oversupply. Sharp currency depreciation of some of the steel exporting countries has further compounded the problem. On the raw material front, there has been a steep fall especially in iron ore prices where it reached an eight-year low of $40/tonne. Declining raw material prices and surging imports have put significant pressure on steel prices (almost at 2002-03 levels in dollar terms) impacting profitability of steel producers.

Aligned to our Group Vision "to be the global steel industry benchmark for Value Creation and Corporate Citizenship", we have set the following medium-term strategic objectives/goals:

Maintain leadership position in profitability: In India, we plan to maintain our leadership position by means of cost competitiveness, operational excellence through accelerated improvement programme – "Shikhar-25". This programme is focused on achieving 25% EBITDA compared at market priced raw material in 2-3 years. It is a multi-divisional, multi-location, cross functional improvement initiative that aims to excel across the entire steel value chain.

TSE is undertaking a number of initiatives, including cost reduction measures, business specific improvement plans and securing access to cost effective raw materials, in order to maintain its ability to successfully compete in the long-term.

Grow in the emerging economy: In India, we endeavour to position ourselves to leverage growth, from an emerging economy and are always looking to expand our steel capacity at regular intervals, make new investments at Kalinganagar, Gopalpur and Jamshedpur. We recently obtained the environmental clearances for expansion of crude steel production up to 11 mtpa for our Jamshedpur Works.

Focus on chosen Segments and Product & Service Differentiation: In India, we endeavour to maintain our leadership position in the automotive and construction segments, explore new segments, develop new products, scale up services and solutions, increase revenue from B2C business and leverage value addition from downstream business.

TSE is pursuing its multi-year strategy of becoming a customer-focused company with a strong portfolio of differentiated products. TSE endeavours to focus on its profitable assets serving the European, US strip market and shift its product mix into higher-value markets, particularly automotive.

Benchmark in Corporate Citizenship: Globally, we strive to ensure zero injury to workforce, be the steel industry benchmark in environmental performance, increase spends on impact based Corporate Social Responsibility areas such as education, health and livelihood.

G. Key Developments

INDIA

Commissioning of Kalinganagar Plant

On November 18, 2015, the Company took a step towards beginning a new chapter by dedicating its Kalinganagar Steel plant to the State of Odisha. Built at an investment of over ₹22,000 crore in the first phase, the Kalinganagar Plant houses India's largest blast furnace at 4,330 cubic meter with production capacity of 3.2 mtpa.

The Kalinganagar Steel Plant is the largest single-location Greenfield steel project in India. The first phase (3 mtpa) will produce world-class flat, lighter, high-tensile strength steel. We will augment our Indian production to around 13 mtpa of crude steel in India and will now expand our portfolio to high-grade flat products for ship-building, defence, energy and power, infrastructure, aviation and lifting & excavation. This expansion will also reinforce our leadership position in the domestic automotive segment.

Mining Update

In accordance with the provisions of the Mines and Minerals (Development and Regulation) Act, 1957 - as amended in 2015, (the "MMDR Act), our captive iron ore mining leases in the State of Odisha have been extended till 2030. In connection with the mines in Jharkhand, the State Government has stipulated certain onerous terms and conditions which are not in conformity with the MMDR Act. Such terms have been challenged by initiating appropriate legal recourse. While the mining operations are continuing, execution of supplementary lease deed for extension of the Noamundi Iron Ore Mines is expected post resolution of the dispute.

Divestments

During the year, our proceeds from sale of shareholding in Titan Company Limited and Tata Motors Limited resulted in a profit of ₹3,505 crore. Further, the Company also divested its other non-performing and non-core assets such as Tata Projects Limited and TRF Limited resulting in a profit of ₹106 crore.

Refinancing

During the year, we faced severe operational and financial challenges but were successfully able to manage our cash flows with innovative ideas, cash conservation and robust scenario planning. In continuation with our past financing strategy, we focused on de-risking the capital structure profile by refinancing the US$ 2 billion of long term facilities in the current year. The new loan facilities provide significantly greater flexibility in the terms and conditions and savings in cost, besides extension of tenor.

Credit Ratings

In light of the weak industry fundamentals, Standard & Poor's downgraded our long-term corporate credit rating from 'BB' to 'BB-'/ Outlook- Stable while Moody's downgraded the long-term corporate family rating from 'Ba1' to 'Ba3'/ Outlook- Negative.

In April 2016, Fitch downgraded our Long-Term Foreign Currency Issuer Default Rating (IDR) from 'BB+' to 'BB' and placed it on Rating Watch Evolving (RWE).

Amalgamation

The Company decided to file appropriate application before the Hon'ble High Court of Bombay seeking recall of the Order dated August 21, 2015, approving the Scheme of Amalgamation between Tata Metaliks Limited and Tata Metaliks DI Pipes Limited with the Company. This decision was based on consideration of various factors including inordinate delay in obtaining requisite regulatory and statutory approvals along with significant dilution in the intended synergies that were envisaged.

EUROPE

Developments in British Steel Pension Scheme (BSPS)

During the year, the Unions had planned to take industrial action in dispute over Tata Steel UK (TSUK) proposal to modify the BSPS contribution and benefits framework. In its efforts to resolve the pension dispute with the Unions, TSUK approached the Advisory, Conciliation and Arbitration Service (ACAS) to help facilitate talks between the parties. As part of the negotiations, Unions confirmed that their ballots on the pension scheme were in favour of proposed modifications to the Scheme.

As a result of (a) measures agreed between the trustee of BSPS and TSUK; and (b) the benefit changes implemented following consultation between TSUK, its employees and their representatives, the on-going residual deficit was reduced from around c£550 mn as at March 31, 2011 to c£90 mn as at March 31, 2014.

Divestment of Long Products Business

During the year, the Long Products business of TSUK was hived into a wholly owned subsidiary.

In December 2015, TSUK signed a Letter of Intent with Greybull Capital to enter into exclusive negotiations for the potential sale of its Long Products Europe business. On April 11, 2016, TSUK signed an agreement to sell its Long Products Europe business to Greybull Capital for a nominal consideration. The deal will be completed once a number of outstanding conditions have been resolved, including transfer of contracts, certain Government approvals and the satisfactory completion of financing arrangements. The sale covers several UK-based assets including the Scunthorpe steelworks, two mills in Teesside, an engineering workshop in Workington, a design consultancy in York, associated distribution facilities, as well as a mill in northern France. The Long Products Europe business employs 4,800 people.

Tata Steel UK

The performance of TSUK has been under severe stress owing to various factors including declining global steel demand, global oversupply of steel, significant increase in third country exports into Europe, high manufacturing costs, continued weakness in domestic market demand in steel and a volatile currency.

The TSUK's losses and funding requirements are at unsustainable levels for the Company. The UK business environment has over the last few years been uncompetitive, considering the open borders to trade, imports from China, low domestic demand and the high cost of operations due to energy costs, business rates and taxes.

Even under adverse market conditions, the Company has extended substantial financial support to the UK business and suffered asset impairment of more than £ 2 billion in the last 5 years. Also, TSE over the last several years has been engaging with the Government of UK to request support on policies regarding energy prices, business rates and funding facilitation for infrastructure investments.

In the light of the deteriorating performance and the transformation plan being uncertain in terms of returns to shareholders, your Board advised the Board of TSE to explore all options for portfolio restructuring including the potential divestment of TSUK.

The sale process of TSUK was launched on April 11, 2016. TSUK approached various strategic and financial investors for the potential sale. Of the bids received, TSUK after a robust initial assessment process with inputs received from the UK Government shortlisted seven bidders. These bidders potentially offer future prospects of sustainability for the UK business and serve the interest of all key stakeholders such as employees, customers and suppliers.

Divestments

During the year, TSE divested its stake in non-core and non-performing investments such as Norsk Stål and Danieli Corus Technical Services yielding a profit of ₹53 crore.

H. Key Initiatives

RESEARCH AND DEVELOPMENT

During the year, we undertook several initiatives to help the business units achieve their yearly targets and meet the strategic goals. In our efforts to make the steel production sustainable and green, we undertook various special initiatives. We set up the pilot plant for tertiary treatment (for removing colour and toxic compounds) of water being discharged by the Biological Oxygen Treatment process. We set up the pilot plant for open steam aging of LD slag that demonstrated a cheap and efficient way to use the waste from steel making plant as construction material for roads.

We have successfully piloted the production of Reduced Graphene Oxide from natural bio-resin and demonstrated its use in various steel and non-steel products. We also worked closely with auto customers and provided them with significant inputs relating to design and welding of various auto components.

TSE opened its new UK research centre at the University of Warwick's Science Park. Engineers and researchers will be working on new steel coatings, including graphene, at the Company's new advanced coatings research laboratories. The new centre will have a combination of metallurgists, product engineers, data scientists, researchers and technicians ultimately leading to the establishment of a hub for advanced steel research. The opening marks the first phase of TSE's relocation of its UK R&D work to the University of Warwick campus. TSE endeavours to work with world-class scientists and researchers to create new steels for customers who are shaping the low-carbon technologies of tomorrow.

TSE is also exploring new technologies for steel making. The HIsarna iron making process is an innovative and highly energy efficient way to produce liquid hot metal using fine ores and coals directly. This breakthrough process will challenge the blast furnace route that has been the dominating technology since the steel industry came into existence. Preparations are underway for the test campaign of the HIsarna pilot plant. On the technology being successful, it will enable resource efficiency improvements in steelmaking – using the world's limited resources in a more sustainable way while minimising impacts on the environment.

In Singapore, NatSteel, the Company's subsidiary is engaged in substituting high cost alloys with Niobium for micro-alloyed bars. It also achieved success in being the global benchmark for electrical power consumption through balancing of chemical and electrical energy in Electric Arc Furnace.

TSTH has applied for slit rolling patent for DB20 which is expected to be obtained by July 2016. This will be the first of its kind in Thailand.

NEW PRODUCT DEVELOPMENT

In India, we developed several new products including high strength steels. In the Flat products area, about 30 new products were developed in customer segments across all verticals. We also started commercial supply of American Petroleum Institute (API) grades. In the Long products area 8 products were developed. Amongst others, the 2 noteworthy developments were the high strength rebar for slender structures and wire rod for thick motor bead wire for heavy vehicles. The high ductility, low carbon wire rod for fine wires is another significant new product developed this year.

TSE launched over 30 new products. These launches included major developments for the automotive, construction, lifting & excavating, packaging and electrical component markets. Examples of product launches are Serica® and Celsius® 420. Serica® is our premium surface finish applied to hot-dip galvanised grades for exposed automotive panels. Celsius® 420 caters to the construction segment and offers a stronger steel grade that achieves weight saving with less welding and enhanced aesthetic appeal.

During the last three years, TSE has introduced over 130 new products with a target to launch an additional 21 in the coming financial year, with the ambition of growing new product sales to 10% of prime sales volume by Financial Year 2017-18. The share of differentiated products in Financial Year 2015-16 at 34% of prime sales was marginally higher than the previous year. These differentiated products give customers enhanced capabilities for specific applications and are products that few steel producers make. New home markets outside of the EU play a significant role in growing the share of differentiated products and expanding global reach.

In Singapore, NatSteel developed higher strength bars for efficient land use and reduce labour intensity at construction sites. As part of value-added downstream services, NatSteel has developed new and improved variations of existing products to help reduce material requirement and the rebar lying time.

TSTH developed rebar for export to Cambodia and also improved billet quality by controlling aluminium wire feeding.

CUSTOMER RELATIONSHIP

We endeavour to continuously understand the unique needs of our customers so as to develop and deliver value. We leverage technology to create stronger relationships with former, current and prospective customers while maximising our customer service capabilities.

In India, Customer Relationship Management is a strategic approach to continuously enhance the understanding of unique customer needs, which helps us to develop and deliver value that meets customers' expectation. Post the success of Customer Service Teams, in fruitfully engaging with customers across segments, "Value Analysis & Value Engineering" workshops are being conducted with automotive customers to take customer engagement to the next level. We have digital and social media platforms for marketing products and connecting to a large and diverse customer set. To create awareness of our products amongst the customers in rural India, we commenced the initiative "Gaon Chalo". Our initiative "Ask the expert" is a direct multipoint engagement platform that aims at providing assistance to individual house builders. The senior leadership leads in customer engagement through formal meets and over customer dinners.

TSE is focused on strengthening customer relationship through continuously introducing new, innovative and high quality steel products, jointly developing smart solutions (products and services) to unlock customer value and creating new partnerships to optimise the supply chain. This consistent approach has resulted in rare recognition awarded to TSE in the form of it being the first steel supplier to win the Toyota Quality Award and the only steel manufacturer to win the Volvo Car Quality Excellence Award.

In Singapore, NatSteel has set up a new team - "Reinforcement Knowledge Cluster" for early engagement with customers in providing solutions.

TSTH extended the Customer Service Teams to smaller sections and organised regular seminars to educate the key customers on the features of value added rebar products.

HEALTH AND SAFETY

Health and safety is the top most priority and we aspire to be the industry benchmark. We have made some significant achievements through the "Committed to Zero" programme. Our efforts are directed towards enhancing safety standards and processes in order to minimise safety risks. At the Group level, we achieved 59% decline in Lost Time Injury Frequency Rate (LTIFR) from 2010.

We continue to focus on competence development programmes in health and safety leadership. In collaboration with Ashorne Hill, UK, a safety and health excellence programme was conducted for senior leadership of the Company and office bearers of the Tata Workers Union. A total of 226 senior leaders and 11 office bearers of the Tata Worker's Union were trained. Leadership engagement at the shop floor has improved by way of safety line walks.

We also endeavour to prioritise strategic activity in contractor management, construction and onsite traffic. The Kalinganagar Plant start-up is a strategic area of focus towards implementing systematic risk controls as was done at Jamshedpur Works previously.

ENVIRONMENT

We are committed to minimising the environmental impact of our operations through adoption of sustainable practices and continuous improvement in environmental performance. Care for environment under Corporate Citizenship is embedded in the Company's vision. The Company acknowledges the fact that the carrying capacity of nature is finite and that industry has to play an important role in protecting the environment and has to avoid disturbing the ecosystem as a result of its operations.

We continue to focus on operational excellence aimed at resource and energy efficiency, along with recovery, reuse and recycling of waste to minimise the ecological footprint. All our manufacturing operations are ISO 14001 certified.

The Company is also engaging with International Union for Conservation of Nature (IUCN), the largest global NGO network for environment, for base lining biodiversity in our mining locations and developing processes for addressing biodiversity including a Biodiversity Management Policy. Besides, the Company has also started engaging with Natural Capital Coalition for valuation of natural capital usage.

SUSTAINABILITY

Our sustainability initiatives are driven by the Tata Group core values and rest on the triple bottom-line viz. social, environmental and financial. In 2015, we published our Sustainability Report using the Global Reporting Initiative (GRI) G4 guidelines.

The Company continues to advocate and influence positive and affirmative sustainability actions. Our senior leaders work with industry bodies such as the Confederation of Indian Industry, Global Reporting Initiative, International Integrated Reporting Council and Taskforce for Climate Related Financial Disclosures of the Financial Stability Board on implementing sustainability practices.

Our Corporate Sustainability Group is a central function and is responsible for creating awareness on sustainability, tracking, sharing global best practices and incorporating sustainability nuances in the key processes of the Company. The Group also drives the various external assessments and makes comprehensive disclosures on sustainability to stakeholders. In order to take the Company's environmental practices to a new paradigm, we are currently preparing for the GreenCo assessment driven by the Confederation of Indian Industry.

In 2015, the Carbon Disclosure Project recognised us as the Climate Change Disclosure Leader. With a score of 100, we were globally the highest rated organisation in climate change disclosure. Since 2012, we have been part of the Composite Dow Jones Sustainability Index (DJSI). During the year, we were awarded the Silver Class in the DJSI Yearbook 2016.

I. Human Resources Management & Industrial Relations

In keeping with the tradition of pioneering human resource practices across geographies, the Human Resources Management (HRM) function has driven myriad changes in the way human resources are managed and developed, striking a balance between business needs and individual aspirations. HRM has now become a business partner and is taking key decisions not just with respect to human resource but businesses as a whole. It focuses on improving the way of life, work culture, employee engagement, productivity, effectiveness and efficiency.

The year has been remarkable in the area of industrial relations. The harmony and strength of industrial relations of over 87 years was taken a step further, with the successful culmination of new annual bonus agreement for a period of 3 years based on four parameters - Profit, Profitability, Productivity and Safety.

Employee productivity continues to be a focus area. In Financial Year 2015-16, employee productivity for works and services manpower rose to 701/tcs/man/year, as against 623/tcs/man/year during the previous year. In our pursuit towards improving productivity, we have reorganized some of the business units and will further our actions in the coming year.

During the year, with the objective of rationalising the workforce and enhancing productivity, the Company rolled out a Voluntary Separation Scheme known as the "Sunhere Bhavishya Ki Yojana". Accordingly, 1,395 employees have availed of the Scheme and separated from the Company. As on March 31, 2016, we had 35,439 employees in India, as against 36,957 in the previous year.

During the year, several new age employee centric policies were launched to cater to the needs of the workforce, attract new talent and also to keep the Company up to date with external realities.

Policies like a 5-day work week, satellite office operations, work from home, etc. were launched in the interest of the employees' changing needs.

The Company initiated multiple actions to keep the workforce engaged. Actions are being taken to increase gender diversity, providing greater amenities for contractor workforce, improving employee skills and enhancing employee productivity. In addition, policies are being implemented to support affirmative action through training and enabling employment. The Company has also adopted the SA8000 framework to ensure Human Rights for the workforce.

During the year, we conducted the first in-house "Inclusive Leadership Program" aimed at providing rural exposure to the senior leadership of the Company thereby grooming them to be more inclusive in their approach and become social leaders. Also, the Company has developed two Women's Leadership Programmes - Tata Steel Engage and Tata Steel Ignite Programme.

We won several accolades for our human resource practices such as, best company to work for in the core sector and also among the top 25 companies in India as per Business Today, the BML Munjal Award for Business Excellence through Learning and Development under Sustained Excellence Category, the National award for Outstanding Achievement in Industrial Relations by All India Organisation of Employers (AIOE), an allied body of Federation of Indian Chambers of Commerce and Industry (FICCI), the Employer's Federation of India Award for "Significant Achievements in Industrial Relations" for 2015 and the 2016 World's most Ethical Company Award by Ethisephere Institute.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this report **(Annexure 2)**.

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of employees drawing remuneration in excess of the limits set out in the said Rules forms part of the Report.

However, having regard to the provisions of the first proviso to Section 136(1) of the Companies Act, 2013, the Integrated Report excluding the aforesaid information is being sent to the Members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours. Any member interested in obtaining such information may write to the Company Secretary, at the Registered Office and the same will be furnished on request. Further, the details are also available on the Company's website: www.tatasteel.com.

J. Corporate Social Responsibility

The Company's vision is to be a global benchmark in value creation and corporate citizenship. The objective of our Corporate Social Responsibility (CSR) initiatives is to improve the quality of life of communities through long-term value creation for all stakeholders. This objective is in alignment with the Tata Group core purpose.

For decades, we have pioneered various CSR initiatives. We continue to remain focused on improving the quality of life and engaging communities through health, education, sports and infrastructure development. During the year, we spent over ₹204 crore on CSR activities. The Annual Report on CSR activities, in terms of Section 135 of the Companies Act, 2013, is annexed to this report **(Annexure 3)**.

K. Corporate Governance

At Tata Steel, we ensure that we evolve and follow the corporate governance guidelines and best practices sincerely to not just boost long-term shareholder value, but to also respect minority rights. We consider it our inherent responsibility to disclose timely and accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

In accordance with the Tata Steel Group Vision, the Tata Steel Group aspires to be the global steel industry benchmark for value creation and corporate citizenship. The Tata Steel Group expects to realise its Vision by taking such actions as may be necessary in order to achieve its goals of value creation, safety, environment and people.

Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 (Listing Regulations), the Corporate Governance Report and the Auditors' Certificate regarding compliance of conditions of Corporate Governance are annexed to this report **(Annexure 4)**.

BOARD MEETINGS

For seamless scheduling of meetings, a calendar is prepared and circulated in advance. The Board has also adopted an activity guidance giving it visibility on the upcoming topics for discussions.

The Board met 9 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 prescribed under the Companies Act, 2013 and the Listing Regulations.

SELECTION OF NEW DIRECTORS AND BOARD MEMBERSHIP CRITERIA

The Nomination and Remuneration Committee (NRC) works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience in business, government, education and public service. Characteristics expected of all Directors include independence, integrity, high personal and professional ethics, sound business judgment, ability to participate constructively in deliberations and willingness to exercise authority in a collective manner. The Policy on appointment, removal of Directors and determining Directors' independence was adopted by the Board on March 31, 2015 and was annexed to the Board Report of Financial Year 2014-15. During the year, there have been no changes to the Policy. Hence, the same is not annexed to this report, but is available on our website www.tatasteel.com.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

All new Independent Directors (IDs) inducted on the Board go through a structured orientation programme. Presentations are made by Executive Directors and Senior Management giving an overview of our operations, to familiarise the new IDs with the Company's business operations. The new IDs are given an orientation on our products, group structure and subsidiaries, Board constitution and procedures, matters reserved for the Board, and our major risks and risk management strategy.

Details of orientation given to our existing IDs in areas of strategy, operations & governance, safety, health and environment, industry & regulatory trends, competition and future outlook are provided in the Corporate Governance Report and is also available on our website www.tatasteel.com.

EVALUATION

The Board evaluated the effectiveness of its functioning, that of the Committees and of individual Directors. The Board, through NRC, sought the feedback of Directors on various parameters such as:

- Degree of fulfillment of key responsibilities towards stakeholders (by way of monitoring corporate governance practices, participation in the long-term strategic planning etc.);
- The structure, composition and role clarity of the Board and Committees;
- Extent of co-ordination and cohesiveness between the Board and its Committees;
- Effectiveness of the deliberations and process management;
- Board/Committee culture and dynamics; and
- Quality of relationship between Board Members and the Management.

The Chairman of the Board had one-on-one meeting with the Independent Directors and the Chairman of NRC had one-on-one meeting with the Executive and Non-Executive Directors. These meeting were intended to obtain Directors' inputs on effectiveness of the Board/Committee processes.

The Board considered and discussed the inputs received from the Directors. Also, the Independent Directors at their meeting, reviewed the performance of the Board, Chairman of the Board and that of Non-Executive Directors.

The evaluation process endorsed the Board Members' confidence in the ethical standards of the Company, the cohesiveness that exists amongst the Board Members, the two-way candid communication between the Board and the Management and the openness of the Management in sharing strategic information to enable Board Members to discharge their responsibilities.

In the coming year, the Board intends to enhance its focus on the strategic plan for portfolio restructuring of TSE, risk management, policy advocacy and regulatory affairs, environmental matters including sustainability (particularly on aspects such as emissions and climate change) and succession planning for the Board.

COMPENSATION POLICY FOR THE BOARD AND SENIOR MANAGEMENT

Based on the recommendations of NRC, the Board has approved the Remuneration Policy for Directors, Key Managerial Personnel (KMP) and all other employees of the Company. As part of the policy, the Company strives to ensure that:

- the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
- relationship between remuneration and performance is clear and meets appropriate performance benchmarks; and
- remuneration to Directors, KMP and Senior Management involves a balance between fixed and incentive pay, reflecting short, medium and long-term performance objectives appropriate to the working of the Company and its goals.

The Remuneration Policy for Directors, KMP and other employees was adopted by the Board on March 31, 2015 and was annexed to the Board Report of Financial Year 2014-15. During the year, there have been no changes to the Policy. Hence, the same is not annexed to this report, but is available on our website www.tatasteel.com.

INDEPENDENT DIRECTORS' DECLARATION

The Company has received the necessary declaration from each ID in accordance with Section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independence as laid out in sub-section (6) of Section 149 of the Companies Act, 2013 and the Listing Regulations.

DIRECTORS

Re-appointments

As per the provisions of the Companies Act, 2013, Mr. Cyrus P. Mistry will retire at the ensuing AGM and being eligible, seeks re-appointment. The profile and particulars of experience, attributes and skills that qualify Mr. Mistry for the Board membership is disclosed in the Notice convening the AGM. The Board recommends and seeks your support in confirming Mr. Mistry's re-appointment.

Cessation

During the year, Dr. Karl-Ulrich Koehler, Chief Executive Officer and Managing Director of TSE and a Non-Executive Member of the Board, ceased to be a Director of the Company effective February 29, 2016. The Board of Directors place on record their appreciation towards Dr. Koehler's contributions during his tenure as Director of the Company.

KEY MANAGERIAL PERSONNEL

Pursuant to Section 203 of the Companies Act, 2013, the Key Managerial Personnel of the Company are – Mr. T.V. Narendran, Managing Director (India and South East Asia), Mr. Koushik Chatterjee, Group Executive Director (Finance and Corporate) and Mr. Parvatheesam K, Company Secretary. During the year, there has been no change in the Key Managerial Personnel.

AUDIT COMMITTEE

Our Audit Committee was constituted in the year 1986. The Committee has adopted a Charter for its functioning. The primary objective of the Committee is to monitor and provide effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting.

The Committee met 5 times during the year, the details of which are given in the Corporate Governance Report. As of the date of this report, the Committee is comprised of Mr. Subodh Bhargava (Chairman), Mr. Ishaat Hussain, Mr. Andrew Robb and Mr. O. P. Bhatt.

INTERNAL CONTROL SYSTEMS

The Board of Directors of the Company is responsible for ensuring that Internal Financial Controls have been laid down in the Company and that such controls are adequate and operating effectively. The foundation of Internal Financial Controls (IFC) lies in the Tata Code of Conduct (TCoC), policies and procedures adopted by the Management, corporate strategies, annual business planning process, management reviews, management system certifications and the risk management framework.

The Company has IFC framework, commensurate with the size, scale and complexity of its operations. The framework has been designed to provide reasonable assurance with respect to recording and providing reliable financial and operational information, complying with applicable laws, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance with corporate policies. The controls, based on the prevailing business conditions and processes have been tested during the year and no reportable material weakness in the design or effectiveness was observed. The framework on Internal Financial Controls over Financial Reporting has been reviewed by the internal and external auditors.

The Company uses various IT platforms to keep the IFC framework robust and our Information Management Policy governs these IT platforms. The systems, standard operating procedures and controls are implemented by the executive leadership team and are reviewed by the internal audit team whose findings and recommendations are placed before the Audit Committee.

The scope and authority of the Internal Audit function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee. The Internal Audit team develops an annual audit plan based on the risk profile of the business activities. The Internal Audit plan is approved by the Audit Committee, which also reviews compliance to the plan.

The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action(s) in their respective area(s) and thereby strengthen the controls. Significant audit observations and corrective action(s) thereon are presented to the Audit Committee.

The Audit Committee reviews the reports submitted by the Internal Auditors in each of its meeting. Also, the Audit Committee at frequent intervals has independent sessions with the external auditor and the Management to discuss the adequacy and effectiveness of internal financial controls.

RISK MANAGEMENT

The Company is exposed to uncertainties owing to the sectors in which it operates. These uncertainties create new business opportunities with inherent risks. A key factor in determining a company's capacity to create sustainable value is the level of risk that the company is willing to take (at strategic and operational levels) and its ability to manage them effectively. Many risks exist in a company's operating environment and they emerge on a regular basis. The Company's Risk Management processes focus on ensuring that these risks are identified on a timely basis and reasonably addressed.

The Company has been proactive in adopting new and effective tools to protect the interests of its stakeholders through establishment of effective Enterprise Risk Management (ERM). The ERM framework draws inputs from the best practices of leading companies across industries and is based on international standards such as ISO 31000 and references from Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company's ERM framework has evolved and matured over the years and has been used effectively in identifying and analysing unforeseen risks that enable Management to take informed decisions. The ERM is supported by a well-defined governance framework towards strengthening organisational risk resilience, providing agility and a competitive edge for preserving as well as enhancing long-term stakeholder value.

We have a Risk Management Committee (RMC) to assist the Board of Directors in fulfilling its oversight responsibilities with respect to ERM. The Committee reviews the risk management practices and actions deployed by the Management with respect to identification, impact assessment, monitoring, mitigation and reporting of key risks while trying to achieve its business objectives. The Committee also endeavours to assist the Board in framing, implementing and monitoring the Risk Management Plan for the Company and reviewing and guiding the risk policy. The Committee also guides the Management in developing and implementing appropriate risk management systems/frameworks.

We also have a Management Committee viz., the Group Risk Review Committee (GRRC) to identify, assess, review and mitigate risks. The GRRC comprises the Managing Director (India and South East Asia), Group Executive Director (Finance and Corporate), Chief Executive Officer of Tata Steel Europe and other Senior Management personnel as its members. The GRRC has the primary responsibility of implementing the Risk Management Policy of the Company and achieving the stated objective of developing a risk intelligent culture that supports decision making and helps improve the Company's performance.

The executive responsibility of ERM lies with the Group Head – Corporate Finance & Risk Management, who assists the GRRC and the RMC in its functioning. During the year, the Company was conferred with the Golden Peacock Award for Risk Management by the Institute of Directors.

VIGIL MECHANISM

Our Vigil Mechanism provides a formal mechanism for all Directors, employees and vendors to approach the Ethics Counsellor/ Chairman of the Audit Committee and make protective disclosures about the unethical behaviour, actual or suspected fraud or violation of the Tata Code of Conduct (TCoC).

The Vigil Mechanism comprises 3 policies viz., the Whistle Blower Policy for Directors & Employees, Whistle Blower Policy for Vendors and Whistle Blower Reward and Recognition Policy for Employees.

The Whistle Blower Policy for Directors & employees is an extension of the TCoC that requires every Director or employee to promptly report to the Management any actual or possible violation of the TCoC or any event wherein he or she becomes aware of that which could affect the business or reputation of the Company.

The Whistle Blower Policy for Vendors provides protection to vendors from any victimisation or unfair trade practices by the Company.

The Whistle Blower Reward and Recognition Policy for Employees has been implemented in order to encourage employees to genuinely blow the whistle on any misconduct or unethical activity taking place in the Company. The disclosures reported are addressed in the manner and within the time frames prescribed in the Whistle Blower Policy. Under the Policy, every Director, employee or vendor of the Company has an assured access to the Ethics Counselor/Chairman of the Audit Committee.

RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions between the Company and the Directors, the management, the subsidiaries or the relatives except for those disclosed in the financial statements.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) along with the justification for entering into such contracts or arrangements in Form AOC-2 does not form part of the report.

DISCLOSURE AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

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

During the year, the Company received 18 complaints of sexual harassment, out of which 14 complaints have been resolved by taking appropriate actions. The remaining 4 complaints are under investigation.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of 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 Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during Financial Year 2015-16.

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

a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b) that we have selected such accounting policies and 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 and of the profit and loss of the Company for that period;

c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that the annual accounts have been prepared on a going concern basis;

e) that proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively; and

f) that proper internal financial controls were laid down and that such internal financial controls are adequate and were operating effectively.

BUSINESS RESPONSIBILITY REPORT

The Securities and Exchange Board of India (SEBI) requires companies to prepare and present to stakeholders a Business Responsibility Report in the prescribed format. SEBI, however, allows companies to follow an internationally recognised framework to report on the environmental and social initiatives undertaken by the Company. As stated earlier in the Report, we have followed the framework of the International Integrated Reporting Council to report on all the six capitals that we use to create long term stakeholder value. Our Integrated Report has been assessed and DNV GL has provided the required assurance. We have also provided the requisite mapping of principles between the Integrated Report, the Global Reporting Initiative (GRI) and the Business Responsibility Report as prescribed by SEBI. The same is available on our website www.tatasteel.com.

LISTING AGREEMENT

During the year, SEBI notified the Listing Regulations and the same were effective December 1, 2015. The Listing Regulations aim to consolidate and streamline the provisions of the erstwhile listing agreement for different segments of capital markets to ensure better enforceability. In terms of the Listing Regulations, all listed entities were required to enter into a new listing agreement with the stock exchanges. In compliance with the requirement, we on November 30, 2015, executed the listing agreement with the BSE Limited and the National Stock Exchange of India Limited.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

We have 276 subsidiaries, 21 joint ventures and 22 associate companies as on March 31, 2016. During the year, the Board of Directors reviewed the affairs of material subsidiaries. We have, in accordance with Section 129(3) of the Companies Act, 2013 prepared consolidated financial statements of the Company and all its subsidiaries, which form part of the Integrated Report. Further, the report on the performance and financial position of each of the subsidiary, associate and joint venture and salient features of the financial statements in the prescribed Form AOC-1 is annexed to this report **(Annexure 5)**.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statements, including the consolidated financial statements and related information of the Company and financial statements of each of the subsidiary will be available on our website www.tatasteel.com. These documents will also be available for inspection during business hours at the Registered Office of the Company.

The names of companies that have become or ceased to be subsidiaries, joint ventures and associates are disclosed in the annexure to this report **(Annexure 6)**.

AUDITORS

Statutory Auditors

Deloitte Haskins & Sells LLP (DHS LLP), Chartered Accountants, who are the statutory auditors of the Company, hold office until the conclusion of the ensuing AGM and are eligible for re-appointment. Members of the Company at the AGM held on August 14, 2014 had approved the appointment of DHS LLP as the Statutory Auditors for a period of three financial years i.e., up to March 31, 2017. As required by the provisions of the Companies Act, 2013, their appointment should be ratified by members each year at the AGM. Accordingly, requisite resolution forms part of the Notice convening the AGM.

Cost Auditors

As per Section 148 of the Companies Act, 2013, the Company is required to have the audit of its cost records conducted by a Cost Accountant in practice. In this connection, the Board of Directors of the Company has on the recommendation of the Audit Committee, approved the appointment of Shome & Banerjee as the cost auditors of the Company for the year ending March 31, 2017.

Shome & Banerjee have vast experience in the field of cost audit and have conducted the audit of the cost records of the Company for the past several years under the provisions of the erstwhile Companies Act, 1956.

The due date for filing the Cost Audit Report of the Company for the Financial Year ended March 31, 2015 was September 30, 2015 and the same was filed in XBRL mode by the Cost Auditor on September 29, 2015.

Secretarial Auditors

Section 204 of the Companies Act, 2013 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 of Directors appointed Parikh & Associates, Practising Company Secretaries as Secretarial Auditor to conduct Secretarial Audit of the Company for Financial Year 2015-16 and their report is annexed to this report **(Annexure 7).** There are no qualifications/ observations in the said Report.

The Board has also appointed Parikh & Associates as Secretarial Auditor to conduct Secretarial Audit of the Company for Financial Year 2016-17.

EXTRACT OF THE ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form MGT 9 as per provisions of the Companies Act, 2013 and Rules thereto are annexed to this report **(Annexure 8)**.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There 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.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Particulars of loans, guarantees given and investments made during the year in accordance with Section 186 of the Companies Act, 2013 is annexed to this Report **(Annexure 9)**.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of the energy conservation, technology absorption and foreign exchange earnings and outgo are annexed to this Report **(Annexure 10)**.

DEPOSITS

During the year, the Company has not accepted any public deposits under the Companies Act, 2013.

L. Acknowledgements

We thank our customers, vendors, dealers, investors, business associates and bankers for their continued support during the year. We place on record our appreciation of the contribution made by employees at all levels. Our resilience to meet challenges was made possible by their hard work, solidarity, co-operation and support.

We thank the Government of India, the State Governments where we have operations and other government agencies for their support and look forward to their continued support in the future.

On behalf of the Board of Directors

sd/-
CYRUS P. MISTRY
Chairman
(DIN: 00010178)

Mumbai
May 25, 2016

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT

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

I confirm that the Company has in respect of the Financial Year ended March 31, 2016, received from the Senior Management Team of the Company and the Members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Members of the Management one level below the Managing Director as on March 31, 2016.

sd/-
T. V. NARENDRAN
Managing Director
(India and South East Asia)
(DIN: 03083605)

Mumbai
May 25, 2016