

## Auditors' Report

TO THE MEMBERS OF  
THE TATA IRON AND STEEL COMPANY LIMITED

1. We have audited the attached Balance Sheet of THE TATA IRON AND STEEL COMPANY LIMITED as at 31st March, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto in which are incorporated the Returns from the Singapore Branch audited by other auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above :
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the Singapore Branch not visited by us;
  - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) on the basis of written representations received from the directors, as on 31st March, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For A. F. FERGUSON & CO.,  
*Chartered Accountants,*  
A. K. MAHINDRA  
*Partner.*  
*Mumbai, 30th May, 2002.*

For S. B. BILLIMORIA & CO.,  
*Chartered Accountants,*  
Y. H. MALEGAM  
*Partner.*

## Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. A major portion of the assets has been physically verified by the Management in accordance with a phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable. To the best of our knowledge, no material discrepancies have been noticed on verification.
- (ii) None of the fixed assets have been revalued during the year.
- (iii) The stocks of finished and semi-finished goods and raw materials at Works, Mines and Collieries have been physically verified during the year by the Management. In respect of stores and spare parts and stocks at Stockyards and with Consignment/Conversion Agents, the Company has a programme of verification of stocks over a three-year period. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable. In the case of materials lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held.
- (iv) In our opinion and according to the information and explanations given to us, the procedures of verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (v) The discrepancies noticed between the physical stocks as verified and book records were not material.
- (vi) In our opinion, on the basis of our examination of the stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (vii) The rates of interest and other terms and conditions of loans taken by the Company from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, are, in our opinion, *prima facie* not prejudicial to the interest of the Company. There are no companies under the same Management as defined under sub-section (1B) of Section 370 of the said Act.
- (viii) The rates of interest and the terms and conditions of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, are, in our opinion, *prima facie* not prejudicial to the interest of the Company. There are no companies under the same Management as defined under sub-section (1B) of Section 370 of the said Act.
- (ix) Except in respect of loans and advances referred to in Note 10 in Notes to the Accounts and advances of Rs. 14.17 crores which have been fully provided for, in respect of loans and advances in the nature of loans given by the Company where stipulations have been made, parties have generally repaid the principal amounts as stipulated and have also been generally regular in payment of interest. In our opinion, having regard to the nature of the loans, reasonable steps have been taken for recovery.
- (x) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- (xi) In our opinion and having regard to our comments in paragraph (x) above and according to the information and explanations given to us, where transactions have been made with different parties, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable, having regard to the prevailing market prices for such goods, materials or services where such market prices are available or the prices at which transactions for similar goods or materials have been made with other parties.

- (xii) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
- (xiii) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of by-products and scrap.
- (xv) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (xvi) (a) We have broadly reviewed the books of account maintained by the Company in respect of manufacture of bearings, steel tubes and pipes pursuant to the Order made by the Central Government for maintenance of cost records prescribed under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (b) In respect of steel, chrome ore and alloys the Company is in the process of developing cost accounts and records as required by notification numbers G.S.R. 281(E) dated 24.4.2001 and G.S.R. 276 (E) dated 24.4.2001 respectively.
- (c) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any other product of the Company.
- (xvii) According to the records of the Company, provident fund dues have been regularly deposited during the year with the appropriate authorities in accordance with the procedure agreed with them and there are no arrears of provident fund dues as at 31st March, 2002. We are informed that the Company intends to obtain exemption from the operation of the Employees' State Insurance Act at all locations and necessary steps have been taken by the Company. We are also informed that action taken by the authorities at some locations to bring the employees of the Company under the Employees' State Insurance Scheme has been contested by the Company and accordingly full payment has not been made of the contributions demanded.
- (xviii) In respect of Sales Tax collected or deemed to be collected, there are no undisputed amounts outstanding as on 31st March, 2002 for a period of more than six months from the date on which they became payable except for collections which we are informed are refundable to customers because they have been made in excess or which have been made pending receipt of the relevant certificates from the customers.
- In respect of undisputed income-tax, wealth tax, customs duty and excise duty, there were no amounts outstanding as on 31st March, 2002 which have remained unpaid for more than six months from the date on which they became payable.
- (xix) According to the information and explanations given to us and the records examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xx) The Company is not a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (xxi) In respect of the Company's trading activity, we are informed that there are no damaged stocks.

For A. F. FERGUSON & CO.,  
*Chartered Accountants,*

A. K. MAHINDRA  
*Partner.*

*Mumbai, 30th May, 2002*

For S. B. BILLIMORIA & CO.,  
*Chartered Accountants,*

Y. H. MALEGAM  
*Partner.*