Auditors' Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS
THE TATA IRON AND STEEL COMPANY LIMITED

We have examined the attached Consolidated Balance Sheet of THE TATA IRON AND STEEL COMPANY LIMITED ("the Company") and its subsidiaries as at 31st March, 2002, and the Consolidated Profit and Loss Account for the year then ended 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 management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs. 555.74 crores as at 31st March, 2002 and total revenues of Rs. 997.48 crores for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at 31st March, 2002; and

(b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended.

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

A. K. MAHINDRA
Partner.

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

Y. H. MALEGAM
Partner.

Mumbai, 30th May, 2002.

The Tata Iron and Steel Company Limited and its Subsidiaries

Consolidated Balance Sheet as at 31st March, 2002

Schedule	Page				Rupees crores	Rupees crores
		FUNDS EMPLOYED :				
A	84	1.	SHARE CAPITAL			**367.97**
B	84	2.	RESERVES AND SURPLUS			**3150.58**
		3.	TOTAL SHAREHOLDERS' FUNDS			**3518.55**
		4.	MINORITY INTEREST			**23.63**
		5.	LOANS			
C	85		*a*	Secured	4232.50	
D	85		*b*	Unsecured	763.07	
			c	Total Loans		**4995.57**
		6.	DEFERRED TAX LIABILITY (NET) (SEE NOTE 18, PAGE 96)			**1409.42**
		7.	PROVISION FOR EMPLOYEE SEPARATION COMPENSATION (See Note 6, Page 92)			**1008.67**
		8.	TOTAL FUNDS EMPLOYED			**10955.84**
		APPLICATION OF FUNDS :				
E	86	9.	FIXED ASSETS			
			a	Gross Block	12213.16	
			b	*Less* — Depreciation	4440.90	
			c	Net Block		**7772.26**
F	86	10.	INVESTMENTS			**789.23**
		11.	GOODWILL			**1.66**
		12.	A.	CURRENT ASSETS		
			a	Stores and spare parts	360.62	
G	87		*b*	Stock-in-trade	820.36	
H	87		*c*	Sundry debtors	1289.09	
			d	Interest accrued on investments	0.11	
I	88		*e*	Cash and Bank balances	247.31	
					2717.49	
J	88		B.	LOANS AND ADVANCES	844.84	
					3562.33	
		13.	*Less :*	CURRENT LIABILITIES AND PROVISIONS		
K	89		A.	Current Liabilities	1836.26	
L	89		B.	Provisions	345.16	
					2181.42	
		14.	NET CURRENT ASSETS			**1380.91**
		15.	MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) Employee Separation Compensation (See Note 6, Page 92)			**1011.78**
		16.	TOTAL ASSETS (Net)			**10955.84**
			Contingent Liabilities (See Note 3, Page 92)			
M	90		NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT			

As per our report attached
For A. F. FERGUSON & CO.,
Chartered Accountants,
A. K. MAHINDRA
Partner.
For S. B. BILLIMORIA & CO.,
Chartered Accountants,
Y. H. MALEGAM
Partner.

Mumbai, 30th May, 2002.

For and on behalf of the Board

RATAN N. TATA
Chairman

B. MUTHURAMAN
Managing Director

J.C. BHAM
Company Secretary

Mumbai, 30th May, 2002.

Consolidated Profit and Loss Account for the year ended 31st March, 2002

Schedule	Page	INCOME :	Rupees crores	**Rupees crores**
1	82	1. SALE OF PRODUCTS AND SERVICES	8411.66	
2	82	2. OTHER INCOME	93.86	
				8505.52
		EXPENDITURE :		
4	83	3. MANUFACTURING AND OTHER EXPENSES	7142.13	
		4. DEPRECIATION	547.32	
			7689.45	
		5. *Less* — EXPENDITURE (OTHER THAN INTEREST) TRANSFERRED TO CAPITAL AND OTHER ACCOUNTS	45.92	
			7643.53	
3	82	6. INTEREST	403.15	
		7. TOTAL EXPENDITURE		**8046.68**
		PROFIT BEFORE TAXES AND EXCEPTIONAL/ EXTRAORDINARY ITEMS		**458.84**
		8. EMPLOYEE SEPARATION COMPENSATION (Note 6, Page 92)		**(232.28)**
		9. PROFIT ON SALE OF LONG TERM INVESTMENTS		**15.71**
		PROFIT BEFORE TAXES		**242.27**
		10. TAXES		
		(a) CURRENT TAX	16.52	
		(b) DEFERRED TAX	32.18	
				48.70
		PROFIT AFTER TAXES		**193.57**
		11. *Less* — MINORITY INTEREST		**1.15**
		PROFITS AFTER MINORITY INTEREST		**192.42**
		12. *Add* — AMOUNT TRANSFERRED FROM DEBENTURE REDEMPTION RESERVE		**310.00**
		13. *Add* — AMOUNT TRANSFERRED FROM INVESTMENT ALLOWANCE (UTILISED) RESERVE		**75.55**
				577.97
		14. *Less* — AMOUNT TRANSFERRED TO CAPITAL REDEMPTION RESERVE		**140.00**
				437.97
		15. BALANCE BROUGHT FORWARD FROM LAST YEAR		**232.68**
		AMOUNT AVAILABLE FOR APPROPRIATIONS		**670.65**
		16. APPROPRIATIONS :		
		(a) INTERIM DIVIDENDS ON PREFERENCE SHARES	2.07	
		(b) INTERIM DIVIDENDS ON ORDINARY SHARES	147.11	
		(c) TAX ON DIVIDENDS	0.21	
			149.39	
		(d) SPECIAL RESERVE	0.12	
		(e) GENERAL RESERVE	301.20	
				450.71
		BALANCE CARRIED TO BALANCE SHEET		**219.94**
		Basic and Diluted Earnings per Share (Rs.) (Refer Note 17, Page 96)		**5.17**
M	90	NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT		

As per our report attached

For A. F. FERGUSON & CO.,
Chartered Accountants,
A. K. MAHINDRA
Partner.

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

Mumbai, 30th May, 2002.

J.C. BHAM
Company Secretary

Mumbai, 30th May, 2002.

For and on behalf of the Board

RATAN N. TATA
Chairman

B. MUTHURAMAN
Managing Director

Schedules forming part of the Consolidated profit and loss account

SCHEDULE 1 : SALE OF PRODUCTS AND SERVICES :—
(Item No. 1, page 81)

		Rupees crores	Rupees crores
(a)	Sale of products		**7903.37**
(b)	Sale of power and water		**323.50**
(c)	Income from services, sale of miscellaneous goods and stores, rent etc.		**184.79**
			8411.66

SCHEDULE 2 : OTHER INCOME :—
(Item No. 2, page 81)

		Rupees crores	Rupees crores
(a)	Income from Investments		**51.66**
(b)	Profit on sale of current investments		**7.35**
(c)	Profit on sale of capital assets		**34.80**
(d)	Net surplus on cancellation of Foreign Exchange Forward Contracts		**0.05**
			93.86

SCHEDULE 3 : INTEREST :—
(Item No. 6, page 81)

		Rupees crores	Rupees crores
1.	Interest on		
	(i) Debentures and Fixed Loans		**410.52**
	(ii) Others		**39.39**
			449.91
	Less — Interest capitalised		**16.01**
			433.90
2.	Less : Interest received on sundry advances, deposits, customers' balances etc.,	27.41	
	Amount received on cancellation of swaps	3.34	
			30.75
			403.15

Schedule forming part of the Consolidated profit and loss account

SCHEDULE 4 : MANUFACTURING AND OTHER EXPENSES :—
(Item No. 3, page 81)

		Rupees crores	**Rupees crores**
1.	PURCHASE OF FINISHED, SEMI-FINISHED STEEL AND OTHER PRODUCTS		**254.52**
2.	RAW MATERIALS CONSUMED :		
	(a) Stock on 1st April, 2001	229.40	
	(b) *Add* — (i) Purchases	1293.05	
	(ii) Cost of raw materials produced	276.06	
		1798.51	
	(c) *Less* — Stock on 31st March, 2002	263.00	
			1535.51
3.	PAYMENTS TO AND PROVISION FOR EMPLOYEES :		
	(a) Wages and salaries, including bonus	1010.10	
	(b) Company's contributions to provident and other funds	170.06	
			1180.16
4.	OPERATION AND OTHER EXPENSES :		
	(a) Stores consumed	346.32	
	(b) Fuel oil consumed	47.43	
	(c) Repairs to buildings	14.71	
	(d) Repairs to machinery	473.54	
	(e) Relining expenses	23.07	
	(f) Conversion charges	223.86	
	(g) Purchase of power	790.74	
	(h) Rent	29.57	
	(i) Royalty	99.59	
	(j) Rates and taxes	32.23	
	(k) Insurance charges	8.61	
	(l) Commission, discounts and rebates	76.59	
	(m) Provision for wealth tax	0.60	
	(n) Short debits in previous years (net)	(8.85)	
	(o) Other expenses (including provision for diminution in the value of investments Rs. 21.32 crores)	393.48	
			2551.49
5.	FREIGHT AND HANDLING CHARGES		**582.66**
6.	PROVISION FOR DOUBTFUL DEBTS AND ADVANCES		**46.16**
7.	EXCISE DUTIES		**983.75**
			7134.25
8.	REDUCTION/(ACCRETION) TO STOCKS OF FINISHED AND SEMI-FINISHED PRODUCTS AND WORK-IN-PROGRESS ADDED/(DEDUCTED):		
	(a) Opening Stock	563.77	
	(b) *Less* — Closing Stock	555.89	
			7.88
			7142.13

Schedules forming part of the Consolidated balance sheet

SCHEDULE A : SHARE CAPITAL :—
(Item No. 1, page 80)

		Rupees crores
Authorised :		
440,000,000	Ordinary Shares of Rs. 10 each	440.00
25,000,000	Cumulative Redeemable Preference Shares of Rs. 100 each	250.00
		690.00
Issued :		
368,373,977	Ordinary Shares of Rs. 10 each	368.37
Subscribed :		
367,771,901	Ordinary Shares of Rs. 10 each fully paid up	367.77
	Add — Amount paid up on 389,516 Ordinary Shares forfeited	0.20
		367.97

SCHEDULE B : RESERVES AND SURPLUS :—
(Item No. 2, page 80)

		Rupees crores
(a)	Share Premium Account	1763.40
(b)	Amalgamation Reserve	1.12
(c)	Debenture Redemption Reserve	639.17
(d)	Capital Redemption Reserve	170.30
(e)	Capital Reserve	1.77
(f)	Capital Reserve (arising on Consolidation)	8.74
(g)	General Reserve	212.39
(h)	Investment Allowance (Utilised) Reserve	0.16
(i)	Export Profits Reserve	1.25
(j)	Foreign Exchange Fluctuations Reserve	14.00
(k)	Contributions for Capital Expenditure	14.77
(l)	Foreign Currency Translation Reserve (arising on Consolidation) ...	1.28
(m)	Revaluation Reserve	0.24
(n)	Special Reserve	2.05
(o)	Contingency Reserve	100.00
(p)	Profit and Loss Account	219.94
		3150.58

Schedules forming part of the Consolidated balance sheet

SCHEDULE C : SECURED LOANS :—
(Item No. 5(a), page 80)

		Rupees crores
(a)	Banks and Financial Institutions	**980.23**
(b)	Joint Plant Committee-Steel Development Fund [including funded interest **Rs. 245.10** crores]	**1430.29**
(c)	Privately Placed Non Convertible Debentures	**1274.62**
(d)	Working Capital Demand Loan/Term Loans from Banks	**61.00**
(e)	Cash credits from Banks	**486.34**
(f)	Government of India	**0.02**
		4232.50

SCHEDULE D : UNSECURED LOANS :—
(Item No. 5(b), page 80)

		Rupees crores
(a)	Fixed Deposits (including interest accrued and due)	**131.06**
(b)	Inter Corporate Deposits	**14.42**
(c)	Banks and Financial Institutions	**460.21**
(d)	Housing Development Finance Corporation Ltd.	**22.72**
(e)	Government of Orissa	**14.23**
(f)	Commercial Papers (net of discount charges remaining to be written off)	**99.60**
(g)	12.5% Non-Convertible Debentures (privately placed with Deutsche Bank)	**20.00**
(h)	Interest Free Loans Under Sales Tax Deferral Scheme	**0.83**
		763.07

Schedules forming part of the Consolidated balance sheet

SCHEDULE E : FIXED ASSETS :—
(Item No. 9, page 80)

	Fixed Assets	Gross Block(1) as at 31.3.2001 Rupees crores	(2)&(3) Additions Rupees crores	Deductions(4) Rupees crores	Gross Block(1) as at 31.3.2002 Rupees crores	Depreciation for 2001-2002 Rupees crores	Total Depreciation to 31.3.2002 Rupees crores	Net Block as at 31.3.2002 Rupees crores
1.	Land and Roads	**52.27**	**140.19**(5)	**0.05**	**192.41**	**0.64**	**2.72**	**189.69**
2.	Buildings (6) & (7)	**800.97**	**6.51**	**0.96**	**806.52**	**21.14**	**171.55**	**634.97**
3.	Leaseholds	**4.38**	**—**	**—**	**4.38**	**—**	**0.71**	**3.67**
4.	Railway Sidings	**88.30**	**6.94**	**0.13**	**95.11**	**4.24**	**36.33**	**58.78**
5.	Plant and Machinery (8)	**10,088.04**	**538.69**	**49.43**	**10,577.30**	**508.57**	**4,122.73**	**6,454.57**
6.	Furniture, Fixtures and Office Equipments	**78.89**	**4.83**	**0.47**	**83.25**	**4.26**	**44.97**	**38.28**
7.	Development of Property	**30.00**	**6.67**	**—**	**36.67**	**3.44**	**23.20**	**13.47**
8.	Livestock and Vehicles	**78.03**	**2.32**	**2.45**	**77.90**	**5.03**	**38.69**	**39.21**
		11,220.88	**706.15**	**53.49**	**11,873.54**	**547.32**	**4,440.90**	**7,432.64**
9.	Buildings, Plant and Machinery, etc. under erection (including advances for capital expenditure Rs. 81.10 crores)				**339.62**		**—**	**339.62**
					12,213.16		**4,440.90**	**7,772.26**

(1) Gross Block is at cost except for item 8 which is shown at written down value to 31st March, 1956 plus subsequent additions at cost.
(2) Additions include adjustments for inter se transfers.
(3) Please See Note 12, page 93 for effect of realignment of the value of foreign currency loans on fixed assets.
(4) Deductions include cost of assets scrapped/sold/surrendered during the year.
(5) Includes land at Gopalpur for which registration of conveyance is under process.
(6) Buildings include **Rs. 2.32** crores being cost of shares in Co-operative Housing Societies and Limited Companies.
(7) Buildings include gross block **Rs. 5.23** crores and net block **Rs. 0.05** crore in respect of expenditure incurred on capital assets whose ownership does not vest in the Company.
(8) Plant and Machinery includes wagons given on lease to Railways under Own Your Wagon Scheme **Rs. 20.79** crores.
(9) In case of one subsidiary covered by the provisions of Urban Land (Ceiling and Regulations) Act, 1976, under which an application for exemption was filed with the Directorate of Industries. The Company has received an order under Section 20 declaring 9123.24 sq. mtrs. of industrial land as vacant. As regards residential land, the authorities have exempted total area of 16155.30 sq. mtrs. out of which 12614.50 sq. mtrs. are being used for construction of residential flats.

SCHEDULE F : INVESTMENTS :—
(Item No. 10, page 80)

		Rupees crores	**Rupees crores**
A.	**LONG TERM INVESTMENTS** At Cost less provision for diminution in value		
1.	SHARES (Quoted)		**305.92**
2.	SHARES AND DEBENTURES (Unquoted)		**294.02**
B.	**CURRENT INVESTMENTS** (at lower of cost and fair value)		
	(Quoted)		
3.	Units in Unit Trust of India .... (Diminution in value of Rs. 2.79 crores provided during the year)		**9.82**
	(Unquoted)		
4.	Investment in Mutual Funds .... (Subscribed during the year)	193.10	
	Less : Diminution in value	14.00	
		179.10	
	Others	0.37	
			179.47
			789.23

Schedules forming part of the Consolidated balance sheet

SCHEDULE G : STOCK-IN-TRADE :—
(Item No. 12A(b), page 80)

		Rupees crores
(a)	Finished and semi-finished products produced and purchased by the Company, at lower of cost and net realisable value (including purchased goods-in-transit at cost)	**510.91**
(b)	Work-in-progress (at lower of cost and net realisable value)	**44.98**
		555.89
(c)	Excise duty on Finished and Semi-finished Stock not assessed to duty	**0.02**
(d)	Coal, iron ore and other raw materials produced and purchased by the Company, at lower of cost and net realisable value (including purchased raw materials-in-transit at cost)	**263.00**
(e)	Current Investments held as stock-in-trade	**1.45**
		820.36

SCHEDULE H : SUNDRY DEBTORS :—
(Item No. 12A(c), page 80)

		Rupees crores
(a)	Over six months old	**380.98**
(b)	Others	**1053.41**
		1434.39
	Less — Provision for doubtful debts	**145.30**
		1289.09

	As at 31-3-2002 Rupees crores
Sundry debts, secured and considered good	**108.35**
Sundry debts, unsecured and considered good	**1180.74**
Sundry debts, considered doubtful	**145.30**
	1434.39

Schedules forming part of the Consolidated balance sheet

SCHEDULE I : CASH AND BANK BALANCES :—
(Item No. 12A(e), page 80)

		Rupees crores
(a)	Cash in hand (including cheques in hand Rs. 111.11 crores)	133.41
(b)	Remittance in transit	45.46
(c)	With Scheduled Banks	67.92
(d)	With Other Banks	0.52
		247.31

SCHEDULE J : LOANS AND ADVANCES :—
(Item No. 12(B), page 80)

		Rupees crores
(a)	Advances with public bodies	180.08
(b)	Other advances	500.31
(c)	Advance payment against taxes	200.03
		880.42
	Less — Provision for doubtful advances	35.58
		844.84

	As at 31-3-2002 Rupees crores
Loans and Advances, secured and considered good	0.04
Loans and Advances, unsecured and considered good	844.80
Loans and Advances, considered doubtful	35.58
	880.42

Schedules forming part of the Consolidated balance sheet

SCHEDULE K : CURRENT LIABILITIES :—
(Item No. 13(A), page 80)

	Rupees crores	**Rupees crores**
(a) Acceptances		**3.43**
(b) Sundry creditors :		
(i) For goods supplied	488.31	
(ii) For accrued wages and salaries	449.22	
(iii) For other liabilities	744.52	
		1682.05
(c) Interest accrued but not due		**51.54**
(d) Advances received from customers		**88.76**
(e) Dividend warrants posted but not encashed		**10.48**
		1836.26

SCHEDULE L : PROVISIONS :—
(Item No. 13(B), page 80)

	Rupees crores
(a) Provision for retiring gratuities	**17.69**
(b) Provision for taxation	**180.36**
(c) Provision for interim dividend	**147.11**
	345.16

Signatures to Schedules 1 to 4 and
A to L and Notes on pages 90 to 96

For and on behalf of the Board,

RATAN N. TATA
Chairman

J.C. BHAM
Company Secretary

B. MUTHURAMAN
Managing Director

Mumbai, 30th May, 2002

SCHEDULE M : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2001-02

1. **Principles of Consolidation:**

The Consolidated Financial Statements relate to The Tata Iron and Steel Company Limited ("the Company") and its majority owned subsidiary Companies. The Consolidated Financial Statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the parent company i.e., 31st March, 2002.
- Investments in Associate Companies have been accounted as per Accounting Standard-13-Accounting of Investments issued by The Institute of Chartered Accountants of India.
- The excess of cost to the Company of its investment in the subsidiary company over the Company's portion of equity of the subsidiary is recognised in the financial statement as Goodwill.
- The excess of Company's portion of equity of the Subsidiary as at the date of its investment is treated as Capital Reserve.
- Minority interest in the net assets of consolidated subsidiaries consist of:
  - (a) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
  - (b) the minorities' share of movements in equity since the date the parent subsidiary relationship came in to existence.
- Intergroup balances and intergroup transactions and resulting unrealised profits have been eliminated in full.

The list of subsidiary Companies which are included in the consolidation and the parent company’s holdings therein are as under: -

Name of the Company	Percentage Holding (%)
Tata Refractories Limited	51.00
The Tata Pigments Limited	100.00
Kalimati Investment Company Limited	100.00
Tata Korf Engineering Services Limited	99.99(a)
Tata Incorporated	100.00
Stewarts & Lloyds of India Limited	54.90(b)
Tata SSL Limited	94.69(c)

(a) 240,386 Shares and 159,600 Shares of Rs. 10 each are held by the Company and by Kalimati Investment Company Limited, respectively.

(b) 299,925 Shares, 150,075 Shares and 1,197,000 Shares of Rs. 10 each, in Stewarts & Lloyds of India Limited are held by the Company, Tata Refractories Limited and Kalimati Investment Company Limited, respectively.

(c) 25,336,193 Shares of Rs. 10 each and 4,680,187 Shares of Rs. 10 each in Tata SSL Limited are held by the Company and Kalimati Investment Company Limited, respectively.

(d) Each of the above companies is incorporated in India except Tata Incorporated which is incorporated in the United States of America.

2. **Accounting Policies:**

(i) General: The financial statements are prepared under the historical cost convention on an accrual basis and in conformity with accounting standards issued by the Institute of Chartered Accountants of India. Financial Statements of a foreign subsidiary, prepared in accordance with the accounting standards of that country have been recast for the purpose of consolidation with the Indian parent.

(ii) Sale of Products and Services: Sales comprises sale of goods and services, net of trade discounts and include exchange differences arising on sales transactions. Export incentive under the Duty Entitlement Pass Book Scheme has been recognised on the basis of credits afforded in the pass book.

(iii) Gratuity: Provision for gratuity liability to employees is made on the basis of actuarial valuation.

(iv) Leave Salaries: Provision is made for value of unutilised leave due to employees at the end of the year.

(v) Relining Expenses: Relining expenses other than expenses on Blast Furnace relining are charged as an expense in the year in which they are incurred.

(vi) Research and Development: Research and Development costs (other than the cost of fixed assets acquired) are charged in the year in which they are incurred.

(vii) Depreciation:

(I) Capital assets whose ownership does not vest in the company have been depreciated on a straight line basis over the estimated period of their utility or five years whichever is less.

SCHEDULE M : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2001-02

(II) In respect of other assets, depreciation is provided on a straight line basis applying the rates specified in Schedule XIV to the Companies Act, 1956 as under:-

(a) In respect of plant and machinery, railway siding, building and vehicles acquired before 1.4.1993 the specified period has been recalculated by applying the revised rates in force in terms of the notification dated 16.12.1993 and the un-amortised value of the asset has been allocated equally over the remaining part of the specified period and on assets acquired after 31.3.1993 at the revised rates.

For the purpose of determining the appropriate depreciation rates, plant and machinery falling in the category of continuous process plants has been identified on the basis of technical opinion obtained by the Company. Extra shift depreciation wherever applicable is calculated on actual shift basis in respect of each mill/shop/unit.

(b) In respect of furniture, fixtures and office equipment acquired before 1.4.1993 at the rates in force prior to the abovementioned notification and at the revised rates for assets acquired thereafter.

(c) Development of property and mining rights are depreciated over the useful life of the mine or lease period whichever is shorter.

(d) Blast Furnace relining is depreciated over a period of 10 years (average expected life).

(e) Freehold land and leasehold land are not depreciated.

In some subsidiaries, depreciation is calculated on written down value basis. The depreciation charge in respect of these units is not significant in the context of the consolidated financial statements.

(viii) Foreign Exchange Transactions: Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year-end rates.

The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the Profit and Loss Account.

In respect of transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the profit and loss account over the period of the contract, except in the case of liabilities incurred for acquiring fixed assets.

Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets are adjusted to the carrying amount of such fixed assets.

(ix) Fixed Assets: All fixed assets are valued at cost less depreciation.

Pre-operation expenses including trial run expenses (net of revenue) are capitalised.

Interest on borrowings and financing costs during the period of construction is added to the cost of fixed assets.

Blast Furnace relining is capitalised. The written down value of the asset consisting of lining/relining expenditure embedded in the cost of the furnace is written off in the year of fresh relining.

(x) Investments: Long term investments (including investments in Associates) are carried at cost less provision for permanent diminution in value of such investments.

Current investments are carried at lower of cost or fair value.

Investments which are carried as stock in trade in a subsidiary which is an investment company, are valued at cost or at available market quotation whichever is lower, scripwise.

When investment is made in partly convertible debentures with a view to retain only the convertible portion of the debentures, the excess of the face value of the non-convertible portion over the realisation on sale of such portion is treated as part of the cost of acquisition of the convertible portion of the debenture.

(xi) In one subsidiary, Profit on Erection Contracts are recognised on percentage completion method. Profit on erection contract is recognised only when the stage of completion (as techno-commercially assessed by the management) is 30% or more. Escalation and other claims in respect of these contracts are accounted for on their acceptance by the customers. Adequate provision for foreseeable losses are made in the accounts.

Sales from Erection services in the subsidiary during the year amounted to Rs. 21.37 crores.

(xii) Inventories: Finished and semi-finished products produced and purchased are carried at lower of cost and net realisable value.

Purchased goods-in-transit are carried at cost.

Work-in-progress is carried at lower of cost and net realisable value.

Purchased raw materials-in-transit are carried at cost.

Coal, iron ore and other raw materials produced and purchased are carried at lower of cost and net realisable value.

In some subsidiaries, raw materials of an aggregate value of Rs. 55.44 crores (before elimination of unrealised profit) are stated at cost.

Stores and spare parts are carried at or below cost.

Cost of inventories is generally ascertained on the weighted average basis. Work-in-progress and finished and semi-finished products are valued on full absorption cost basis.

SCHEDULE M : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2001-02

(xiii) Employee Separation Compensation: Compensation to employees who have opted for retirement under the Employee Separation Schemes is amortised over 120 months or the period of benefit whichever is less.

(xiv) Compensation to employees who have been separated under the Employees Family Benefit Scheme of the parent company is calculated on the basis of the net present value of the future monthly payments and charged to profit and loss account.

(xv) Secured Loans : Discount Charges on Discount Bonds are written off over the period of the Bonds.

(xvi) Deferred Tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods.

3. **Contingent Liabilities:**

		Rs. crores
(a)	Guarantees to banks and financial institutions on behalf of others	94.54
(b)	Claims for taxes and miscellaneous items	746.00
(c)	Other claims not acknowledged as debts	7.75
(d)	Claim by a party arising out of conversion arrangement (under arbitration)	195.82
(e)	Uncalled liability on partly paid shares and debentures	0.10
(f)	Bills discounted	80.86
(g)	Cheques Discounted: Amount Indeterminate	

4. **Undertakings:**

The Company and its Subsidiary has given undertakings to lending Banks and Institutions in respect of its investments of Rs. 109.24 crores in :

(a) Tinplate Company of India Ltd.
(b) The Indian Steel Rolling Mills Ltd.
(c) Wellman Incandescent India Ltd.
(d) Standard Chrome Ltd.
(e) Tata Incorporated, New York
(f) Tata Metaliks Ltd.
(g) Tata Korf Engineering Services Ltd.

not to dispose of its investments in the said companies without the prior consent of the respective financial institutions/banks so long as any part of the loans/facilities sanctioned by the institutions/banks to these seven companies remains outstanding. The Company's investments in Tata Teleservices Ltd., cannot be disposed of till 29.9.2002 pursuant to the conditions imposed by the Department of Telecommunications. The Company has also furnished a Security Bond in respect of its immovable property to the extent of Rs. 20 crores in favour of the Registrar of the Delhi High Court and has given an undertaking not to sell or otherwise dispose of the said property.

5. **Relining Expenditure:** The expenditure on relining of Blast Furnaces which hitherto was charged as an expense in the year in which it was incurred is being capitalised from the current year. As a result of the change the profit for the year is higher by Rs. 29.45 crores.

6. In one subsidiary, the amortisation period of obligations under Employee Separation Scheme has been changed from 60 months to 120 months. Consequent upon this change, the charge for the year is lower by Rs. 2.65 crores with a corresponding increase in profit for the year and in the balance in Miscellaneous Expenditure.

7. Estimated amount of contracts remaining to be executed on Capital Account and not provided for : Rs. 200.75 crores.

8. The Company has an investment of Rs. 95.68 crores and net dues of Rs. 77.74 crores from the Tinplate Company of India Ltd. (TCIL). TCIL has accumulated losses.

There is an investment of Rs. 0.78 crore in Almora Magnesite Limited (AML) and a net amount of Rs. 0.20 crore is due from AML on account of supply of refractories and there is an investment of Rs. 0.26 crore and a net amount of Rs. 0.09 crore is due from Tata Construction and Projects Ltd. (TCPL). Both the above Companies are sick and revival schemes have been sanctioned by BIFR.

Having regard to the long term involvement in the above companies no provision is considered necessary on these counts.

9. Future obligations by way of lease rentals in respect of assets taken on lease (net of provisions made) amount to Rs. 52.41 crores.

10. The long term Wage Agreements entered into by the Company with the employees at Jamshedpur and certain other locations expired during 1996-97. The new long term Wage Agreements entered into by the Company for these locations have been implemented with effect from 1.1.2001. Outstanding issue, if any, will be discussed with the local union.

The long term Wage Agreements for the employees of the Collieries expired on 30.6.2001. As the full basic salary of majority of coal employees is covered under 100% DA neutralisation scheme, the Company is of the view that further additional wage is not payable.

11. The notes to the accounts of Tata Korf Engineering Services Limited (TKES), a subsidiary state that: "According to an authoritative pronouncement, the company is not a sick industrial company defined under Section (3)(1)(o) of the Sick Industrial Company's (Special Provisions) Act, 1985. The year end accumulated losses have exceeded the net worth of the Company. In view of the strategic importance

SCHEDULE M : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2001-02

of the operations of the Company to its promoters and considering the decline in the level of operations of the Company, the Board of Directors of the Company has decided to explore the possibilities of transfer of business to the Group/Other Company or divestment of part or majority of the shareholding to a new Collaborator which would be finalised in due course. However the accounts for the year 2001-2002 have been prepared on the going concern." The report of the auditors to the members of TKES contains an audit qualification on this account.

Tata Korf has a negative net worth as on 31.03.2002 of Rs. 3.33 crores.

12. Consequent on the realignment of the value of foreign currency loans, the rupee liability in respect of such loans has increased by a net amount of Rs. 64.03 crores. This increase has been adjusted in the carrying cost of the fixed assets to the extent of Rs. 64.03 crores *and* Rs Nil *charged* to revenue. The amount of exchange differences in respect of forward contracts to be recognised in the Profit and Loss Account for the subsequent accounting period is Rs. 0.10 crore.

    Amount of net exchange profit included in the profit and loss account for the year is Rs. 4.96 crores.

13. Fixed Assets as at 31.3.2002 (Schedule E, Page 86) include Land (Rs. 135.93 crores), and Buildings, Plant and Machinery etc., under erection (Rs. 4.58 crores) in respect of Gopalpur project for which work has been suspended due to delay in development of port and other facilities at Gopalpur, Orissa and the Company is exploring the possibility of alternative use of the land acquired for the steel project.

14. Information about Primary Business Segments :

Particulars	Business Segments Steel Rs. crores	Business Segments Others Rs. crores	Unallocable Rs. crores	Eliminations Rs. crores	Total Rs. crores
Revenue:					
External Sales – Domestic	6,632.80	1,088.69			7,721.49
– Exports	503.00	187.17			690.17
Total External Sales	**7,135.80**	**1,275.86**			**8,411.66**
Add : Inter segment sales	331.41	121.88			453.29
Total Sales	**7,467.21**	**1,397.74**			**8,864.95**
Less : Inter segment sales	331.41	121.88			453.29
Total Revenue	**7,135.80**	**1,275.86**			**8,411.66**
Segment result before interest, exceptional/extraordinary items and tax	**799.18**	**73.55**	**2.07**	**(12.81)**	**861.99**
Less : Interest					403.15
Profit before Exceptional/Extraordinary items and tax					**458.84**
Exceptional/Extraordinary items					
Less : Employees' Separation Compensation					(232.28)
Add : Profit on Sale of Long Term Investments					15.71
Profit before Tax					**242.27**
Taxes					48.70
Profit after Tax					**193.57**
Segment Assets	10,061.56	890.64	413.58	(31.19)	11,334.59
Segment Liabilities	1,515.38	249.48	440.44	(23.88)	2,181.42
Total Cost incurred during the year to acquire Segment assets	535.00	7.84	0.24		543.08
Segment Depreciation	519.19	28.01	0.12		547.32
Non-Cash Expenses other than depreciation	35.63	14.64	28.91		79.18

Notes :

(i) The Company and its subsidiaries have disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisational structure and internal reporting system. The operations of the parent company and one of its subsidiaries predominantly relate to manufacture of steel. Other business segments comprise Tubes, Bearings, Ferro Alloys and Minerals Division, Refractories and Pigments.

(ii) The Company and its subsidiaries cater mainly to the needs of the domestic market. The export turnover is not significant in the context of the total turnover. As such there are no reportable geographical segments.

(iii) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The expenses, which are not directly relatable to the business segment, are shown as unallocated corporate cost. Assets and liabilities that cannot be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

SCHEDULE M : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2001-02

(iv)	Unallocable assets exclude :	Rs. crores
	Investments	789.23
	Miscellaneous expenditure	1,011.78
	Goodwill	1.66
		1,802.67
	Unallocable Liabilities exclude :	
	Secured Loans	4,232.50
	Unsecured Loans	763.07
	Provision for Employee Separation Compensation	1,008.67
	Deferred Tax Liability (Net)	1,409.42
	Minority Interest	23.63
		7,437.29

(v) Transactions between segments are primarily for materials which are transferred at market determined prices and for apportionment of certain common expenses at cost.

(vi) Being the first year of application of Accounting Standard (AS) 17 - Segment Reporting, previous year's figures have not been disclosed.

15. Related Party Disclosures :

(a) List of Related Parties and Relationships

	Party	Relation
A.	Tata Services Ltd. Nicco Jubilee Park Ltd. Jamshedpur Injection Powder Ltd. Kalinga Aquatics Ltd. Adityapur Toll Bridge Ltd. Tinplate Company of India Ltd. TRF Ltd. Tata Yodogawa Ltd. Tata Sponge Iron Ltd. Metaljunction.com Pvt. Ltd. Tata Metaliks Ltd. Tata Ryerson Ltd. Tata Construction & Projects Ltd. Rujuvalika Investments Ltd. Indian Steel Rolling Mills Ltd. Kumardhubi Fireclay & Silica Works Ltd. Kumardhubi Metal Casting & Engg. Ltd. TKM Overseas Ltd. TKM Transport Management Services Private Ltd. Almora Magnesite Ltd. Nilachal Refractories Ltd.	Associate - Shareholding of the Company on its own or along with subsidiaries is 20% or more
B.	**Joint Ventures** T.M. International Ltd.	Holdings and/agreements in conjunction with group Companies
C.	Tata Sons Ltd.	Promoters holding together with its Subsidiary is more than 20%
D.	**Key Management Personnel** Mr. B. Muthuraman Dr. T. Mukherjee Mr. A.N. Singh Mr. F.A. Vandrevala (part of the year) Dr. J.J. Irani (part of the year) Mr. Nimo K. Punwani Mr. F. Da Cunha (part of the year) Mr. U. Dhar Mr. C.D. Kamath Mr. V.K. Lakshmanan (part of the year) Mr. A. Mehta Mr. B.P.S. Panwar	Whole Time Directors
	Relative of Key Management Personnel Mrs. G.D. Kamath	Wife of Whole Time Director in a subsidiary.

SCHEDULE M : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2001-02

15. (b) Related Party Transactions

Amount in Rs. crores

Transactions	Associates and Joint Ventures	Key Management Personnel (including relatives)	Promoter	Total
Purchase of Goods	96.22	—	—	96.22
Sale of Goods	103.03	—	—	103.03
Purchase of Fixed Assets	—	—	—	—
Sale of Assets	0.01	—	—	0.01
Rendering of Services	50.68	—	0.18	50.86
Receiving of Services	165.14	—	0.19	165.33
Agency arrangements (income)	0.54	—	0.15	0.69
Leasing or Hire Purchase arrangements	1.01	—	—	1.01
Finance provided (including Loans and equity contributions in cash or in kind)	24.73	—	23.00	47.73
Interest income during the year	4.47	—	0.05	4.52
Finance received (including Loans and equity contributions in cash or in kind)	16.00	0.05	146.50	162.55
Interest paid during the year	0.99	0.01	0.40	1.40
Guarantees and Collaterals given	1.44	—	—	1.44
Management contracts including deputation of employees	0.17	—	12.25	12.42
Dividend income	15.12	—	—	15.12
Provision for receivables made during the year	6.23	—	—	6.23
Unsecured advances / deposits given	0.20	—	0.30	0.50
Agency commission paid	0.41	—	0.01	0.42
Dividend paid to shareholders	0.19	—	36.51	36.70
Diminution in value of investments	1.04	—	—	1.04
Unsecured advances/deposits accepted	—	—	0.61	0.61
Remuneration paid	—	3.39	—	3.39
Amount written off during the year	0.02	—	—	0.02
Debit balances outstanding as on 31.3.2002				
Outstanding Receivables	137.70	0.04	1.95	139.69
Credit balances outstanding as on 31.3.2002				
Provision for outstanding receivables	11.68	—	—	11.68
Outstanding payable	25.68	0.09	16.01	41.78

16. Managerial Remuneration in the parent company :

	31.3.2002 Rs. crores
Salaries (including Company's contribution to Provident and Superannuation Fund)	0.96
Commission	0.92
Perquisites	0.60
Directors' Sitting Fees	0.07
	2.55

Note : In addition, the Managing Director and other Whole-time Directors are entitled to free supply of water and use of medical facilities at the Companies Hospital at Jamshedpur. The above figures do not include contribution to Gratuity Fund, as separate figures are not available for the Managing Director and other Whole-time Directors, retirement benefits of Rs. 0.02 crore relating to a former director, retirement benefits of Rs. 0.34 crore to a former Managing Director and Rs. 0.16 crore for the period prior to appointment as Directors.

SCHEDULE M : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2001-02

		2001-2002
17.	Earnings Per Share (EPS):	Rs. crores
(i)	Profit after tax and minority interest	192.42
	Less : Preference Dividend including tax thereon	2.28
	Profit attributable to Ordinary Shareholders	**190.14**
		Nos.
(ii)	Weighted average No. of Ordinary Shares for Basic EPS	36,77,71,901
	Add : Adjustment for Options relating to 12,446 Detachable Warrants	3,848
	Weighted average no. of Ordinary Shares for Diluted EPS	**36,77,75,749**
(iii)	Nominal value of Ordinary Shares	Rs. 10
(iv)	Basic/Diluted Earnings per Ordinary Share	Rs. 5.17

18. Deferred Tax Liability (net)		Deferred tax liability/(asset) as at 31.3.2002
Deferred Tax Liabilities :		Rs. crores
Difference between book and tax depreciation		1,673.48
Amortisation of Miscellaneous/Prepaid Expenditure		12.11
	(A)	**1,685.59**
Deferred Tax Assets :		
Early Separation Scheme		(99.88)
Wage Provision		(29.46)
Past Losses and unabsorbed depreciation		(37.84)
Provision for doubtful debts and advances		(65.18)
Provision for Leave Salary		(32.64)
Other Deferred Tax Assets		(11.17)
	(B)	**(276.17)**
Deferred Tax Liability (net)	(A-B)	1,409.42

Pursuant to Accounting Standard 22 on "Accounting for taxes on income"; the Company and its subsidiaries have recorded a net cumulative deferred tax liability of Rs. 1377.24 crores upto 31st March, 2001 as reduction in General Reserve. Further the impact of Deferred tax liability of Rs. 32.18 crores for the year ended 31st March, 2002 has been debited to the Profit and Loss Account.

19. In accordance with the transitional provision of Accounting Standard 21, Consolidated Financial Statements, previous year's figures have not been disclosed.

20. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the parent company's financial statements.