



## NOTES

forming part of the financial statements

### 36. Contingencies and commitments

#### A. Contingencies

In the ordinary course of business, the Company faces claims and assertions by various parties. The Company assesses such claims and assertions and monitors the legal environment on an on-going basis, with the assistance of external legal counsel, wherever necessary. The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

The following is a description of claims and assertions where a potential loss is possible, but not probable. The Company believes that none of the contingencies described below would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

It is not practicable for the Company to estimate the timings of the cash outflows, if any, pending resolution of the respective proceedings. The Company does not expect any reimbursements in respect of the same.

#### Litigations

The Company is involved in legal proceedings, both as plaintiff and as defendant. There are claims which the Company does not believe to be of a material nature, other than those described below:

#### Income tax

The Company has ongoing disputes with income tax authorities relating to tax treatment of certain items. These mainly include disallowance of expenses, tax treatment of certain expenses claimed by the Company as deduction and the computation of, or eligibility of the Company's use of certain tax incentives or allowances.

Most of these disputes and/or disallowances, being repetitive in nature, have been raised by the income tax authorities consistently in most of the years.

As at March 31, 2022, there are matters and/or disputes pending in appeal amounting to ₹**3,544.68** crore (March 31, 2021: ₹2,360.77 crore).

The details of significant demands are as below:

- (a) Interest expenditure on loans taken by the Company for acquisition of a subsidiary has been disallowed in assessments with tax demand raised for ₹**1,641.64** crore (inclusive of interest) (March 31, 2021: ₹1,551.10 crore).
- (b) Interest expenditure on "Hybrid Perpetual Securities" has been disallowed in assessments with tax demand raised for ₹**484.78** crore (inclusive of interest) (March 31, 2021: ₹170.54 crore)

In respect of above demands, the Company has deposited an amount of ₹**1,255.63** crore (March 31, 2021: ₹1,250.54 crore) as a precondition for obtaining stay. The Company expects to sustain its position on ultimate resolution of the said appeals.

#### Customs, excise duty, service tax and GST

As at March 31, 2022, there were pending litigations for various matters relating to customs, excise duty, service tax and GST involving demands of ₹**310.63** crore (March 31, 2021: ₹304.48 crore).

#### Sales tax/VAT

The total sales tax demands that are being contested by the Company amounted to ₹**776.08** crore (March 31, 2021: ₹823.37 crore).

The details of significant demands are as below:

- (a) The Company stock transfers its goods manufactured at Jamshedpur works plant to its various depots/branches located outside the state of Jharkhand across the country and these goods are then sold to various customers outside the states from depots/branches. As per the erstwhile Central Sales Tax Act, 1956, these transfers of goods to depots/branches were made without payment of Central sales tax and F-Form was submitted in lieu of the stock-transfers made during the period of assessment. The value of these sales was also disclosed in the periodical returns filed as per the Jharkhand Vat Act, 2005. The Commercial Tax Department has raised demand of Central Sales tax by levying tax on the differences between value of sales outside the states and value of F-Form submitted for stock transfers. The amount involved for various assessment years beginning 2011-2012 to 2016-2017 as on March 31, 2022 is amounting to ₹**142.00** crore (March 31, 2021: ₹188.65 crore).

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### 36. Contingencies and commitments (Contd.)

#### Other taxes, dues and claims

Other amounts for which the Company may contingently be liable aggregate to ₹**15,790.08** crore (March 31, 2021: ₹13,736.46 crore).

The details of significant demands are as below:

- (a) Claim by a party arising out of conversion arrangement ₹**195.79** crore (March 31, 2021: ₹195.79 crore). The Company has not acknowledged this claim and has instead filed a claim of ₹**141.23** crore (March 31, 2021: ₹141.23 crore) on the party. The matter is pending before the Calcutta High Court.
- (b) The State Government of Odisha introduced "Orissa Rural Infrastructure and Socio Economic Development Act, 2004" with effect from February 2005 levying tax on mineral bearing land computed on the basis of value of minerals produced from the mineral bearing land. The Company had filed a writ petition in the Odisha High Court challenging the validity of the Act. The High Court held in December 2005 that the State does not have authority to levy tax on minerals. The State of Odisha filed an appeal in the Supreme Court against the order of the High Court and the case is pending in Supreme Court. The potential liability, as at March 31, 2022 is ₹**11,023.93** crore (March 31, 2021: ₹9,709.73 crore).
- (c) The Company pays royalty on iron ore on the basis of quantity removed from the leased area at the rates based on notification issued by the Ministry of Mines, Government of India and the price published by Indian Bureau of Mines (IBM) on a monthly basis.

Demand of ₹411.08 crore has been raised by Deputy Director of Mines, Joda, claiming royalty at sized ore rates on despatches of ore fines. The Company has filed a revision petition on November 14, 2013, before the Mines Tribunal, Government of India, Ministry of Mines, New Delhi, challenging the legality and validity of the demand and to grant refund of royalty paid in excess by the Company. Mines Tribunal has granted stay on the total demand with directive to Government of Odisha not to take any coercive action for realisation of this demanded amount.

The Hon'ble High Court of Odisha in a similar matter held the circulars based on which demands were raised to be valid. The Company has challenged the judgment of the High Court by a separate petition in the Hon'ble Supreme Court on April 29, 2016.

On July 16, 2019, the Company has filed rejoinders to the reply filed by State of Odisha against the revision petition. The State pressed for rejection of revision applications citing the judgment of the High Court. The Company represented before the authorities and explained that the judgment was passed under a particular set of facts and circumstances which cannot have blanket application on the Company considering the case of the Company is factually different. On August 7, 2019, the Mines Tribunal decided to await the outcome of Special leave petition pending before the Hon'ble Supreme Court and adjourned the matter.

Likely demand of royalty on fines at sized ore rates as on March 31, 2022 is ₹**2,859.97** crore (March 31, 2021: ₹2,207.31 crore).

- (d) Demand notices were originally issued by the Deputy Director of Mines, Odisha amounting to ₹3,827.29 crore for excess production over the quantity permitted under the mining plan, environment clearance or consent to operate, pertaining to 2000-01 to 2009-10. The demand notices have been raised under Section 21(5) of the Mines & Minerals (Development and Regulations) Act, 1957 (MMDR). The Company filed revision petitions before the Mines Tribunal against all such demand notices. Initially, a stay of demands was granted, later by order dated October 12, 2017, the issue has been remanded to the state for reconsideration of the demand in the light of Supreme Court judgement passed on August 2, 2017.

The Hon'ble Supreme Court pronounced its judgement in the Common Cause case on August 2, 2017 wherein it directed that compensation equivalent to the price of mineral extracted in excess of environment clearance or without forest clearance from the forest land be paid.

In pursuance to the Judgement of Hon'ble Supreme Court, demand/show cause notices amounting to ₹3,873.35 crore have been issued during 2017-18 by the Deputy Director of Mines, Odisha and the District Mining Office, Jharkhand.



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### 36. Contingencies and commitments (Contd.)

In respect of the above demands:

- as directed by the Hon'ble Supreme Court, the Company has provided and paid for iron ore and manganese ore an amount of ₹614.41 crore during 2017-18 for production in excess of environment clearance to the Deputy Director of Mines, Odisha.
  - the Company has provided and paid under protest an amount of ₹56.97 crore during 2017-18 for production in excess of environment clearance to the District Mining Office, Jharkhand.
  - the Company has challenged the demands amounting to ₹132.91 crore in 2017-18 for production in excess of lower of mining plan and consent to operate limits raised by the Deputy Director of Mines, Odisha before the Mines Tribunal and obtained a stay on the matter. Mines Tribunal, Delhi vide order dated November 26, 2018 disposed of all the revision applications with a direction to remand it to the State Government to hear all such cases afresh and pass detailed order. Demand amount of ₹132.91 crore (March 31, 2021: ₹132.91 crore) is considered contingent.
  - the Company has made a comprehensive submission before the Deputy Director of Mines, Odisha against show cause notices amounting to ₹694.02 crore received during 2017-18 for production in violation of mining plan, Environment Protection Act, 1986 and Water (Prevention & Control of Pollution) Act, 1981. A demand amounting to ₹234.74 crore has been received in April 2018 from the Deputy Director of Mines, Odisha for production in excess of the Environmental Clearance. The Company has challenged the demand and obtained a stay on the matter from the Revisionary Authority, Mines Tribunal, New Delhi. The demand of ₹234.74 crore has been provided. Based on evaluation of facts and circumstances, the show cause notice of ₹694.02 crore is not considered as a contingent liability.
- The Company based on its internal assessment has provided an amount of ₹1,412.89 crore against demand notices amounting to ₹2,140.30 crore received from the District Mining Office, Jharkhand for producing more than environment clearance and the balance amount of ₹727.41 crore (March 31, 2021: ₹727.41 crore) is considered contingent. The Company has however been granted a stay by the Revisional Authority, Ministry of Coal, Government of India against such demand notices.
- (e) An agreement was executed between the Government of Odisha (GoO) and the Company in December, 1992 for drawal of water from Kundra Nalla for industrial consumption. In December 1993, the Tahsildar, Barbil issued a show-cause notice alleging that the Company has lifted more quantity of water than the sanctioned limit under the agreement and has also not installed water meter. While the proceedings in this regard were in progress, the Company had applied for allocation of fresh limits.

Over the years, there has also been a steep increase in the water charges against which the Company filed writ petitions before Hon'ble High Court of Odisha. The Company received a demand of ₹183.46 crore for the period starting January 1996 to November 2020 in this regard.

The writ petition filed in August, 1997 was listed for hearing before the Full Bench of the Odisha High Court on May 17, 2019. SAIL, one of the petitioners, sought permission to withdraw its writ petition because the settlement was arrived with the State Government on the matter. The High court allowed withdrawal of writ petition of SAIL and directed other parties to negotiate with the State Government. The Company has submitted its detailed representation to Principal Secretary, Water Resource Department, GoO on June 21, 2019, which is under consideration.

The potential exposure as on March 31, 2022 is ₹262.13 crore (March 31, 2021: ₹206.63 crore) is considered as contingent.

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### 36. Contingencies and commitments (Contd.)

#### B. Commitments

- (a) The Company has entered into various contracts with suppliers and contractors for the acquisition of plant and machinery, equipment and various civil contracts of capital nature amounting to ₹**8,699.11** crore (March 31, 2021: ₹7,079.29 crore).

Other commitments as at March 31, 2022 amount to ₹**0.01** crore (March 31, 2021: ₹0.01 crore).

- (b) The Company has given undertakings to:
- (i) IDBI not to dispose of its investment in Wellman Incandescent India Ltd.,
  - (ii) IDBI and ICICI Bank Ltd. (formerly ICICI) not to dispose of its investment in Standard Chrome Ltd.,
- (c) The Company and Bluescope Steel Limited have given undertaking to State Bank of India not to reduce collective shareholding in Tata Bluescope Steel Private Limited (TBSPL), below 51% without prior consent of the lender. Further, the Company has given an undertaking to State Bank of India to intimate them before diluting its shareholding in TBSPL below 50%.

During the year ended March 31, 2021, the Company after obtaining a 'no objection certificate' from the lenders of TBSPL, has transferred its stake of 50% in TBSPL to its 100% owned subsidiary Tata Steel Downstream Products Limited.

- (d) The Company, as a promoter, has pledged **4,41,55,800** (March 31, 2021: 4,41,55,800) equity shares of Industrial Energy Limited ("IEL") with Infrastructure Development Finance Corporation Limited ("IDFC"). IEL has repaid the entire loan taken from IDFC in financial year 2020-21 and the pledge is in the process of being released.

- (e) The Company has given guarantees aggregating ₹**9,866.85** crore (March 31, 2021: ₹9,121.69 crore) details of which are as below:

- (i) in favour of Commissioner Customs for ₹**1.07** crore (March 31, 2021: ₹1.07 crore) given on behalf of Timken India Limited in respect of goods imported.
- (ii) in favour of The President of India for ₹**177.18** crore (March 31, 2021: ₹177.18 crore) against performance of export obligation under the various bonds executed by a joint venture Jamshedpur Continuous Annealing & Processing Company Private Limited.
- (iii) in favour of State Bank of India and ICICI Bank for ₹**429.66** crore (March 31, 2021: Nil) guaranteeing the financial liability of a subsidiary Tata Steel Mining Limited, for the purpose of availing banking facility for the business operations including working capital & capital expenditure, performance contract and security for bidding for auctions with respect to mines.
- (iv) in favour of the note holders against due and punctual repayment of the 100% amounts outstanding as on March 31, 2022 towards issued Guaranteed Notes by a subsidiary, ABJA Investment Co. Pte Ltd. for ₹**7,579.75** crore (March 31, 2021: ₹7,311.50 crore) and ₹**1,679.04** crore (March 31, 2021: ₹1,631.79 crore). The guarantee is capped at an amount equal to 125% of the outstanding principal amount of the Notes as detailed in "Terms and Conditions" of the Offering Memorandum.
- (v) in favour of President of India for ₹**0.15** crore (March 31, 2021: ₹0.15 crore) against advance license.



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### 37. Other significant litigations

- (a) Odisha Legislative Assembly issued an amendment to Indian Stamp Act, 1889, on May 09, 2013 and inserted a new provision (Section 3A) in respect of stamp duty payable on grant/renewal of mining leases. As per the amended provision, stamp duty is levied equal to 15% of the average royalty that would accrue out of the highest annual extraction of minerals under the approved mining plan multiplied by the period of such mining lease. The Company had filed a writ petition challenging the constitutionality of the Act on July 5, 2013. The Hon'ble High Court, Cuttack passed an order on July 9, 2013 granting interim stay on the operation of the Amendment Act, 2013. Because of the stay, as on date, the Act is not enforceable and any demand received by the Company is not liable to be proceeded with. Meanwhile, the Company received demand notices for the various mines at Odisha totalling to ₹5,579.00 crore (March 31, 2021: ₹5,579.00 crore). The Company has concluded that it is remote that the claim will sustain on ultimate resolution of the legal case by the court.

In April 2015, the Company has received an intimation from Government of Odisha, granting extension of validity period for leases under the MMDR Amendment Act, 2015 up to March 31, 2030 in respect of eight mines and up to March 31, 2020 for two mines subject to execution of supplementary lease deed. Liability has been provided in the books of accounts as on March 31, 2020 as per the existing provisions of the Stamp Act 1899 and the Company had paid the stamp duty and registration charges totalling ₹413.72 crore for supplementary deed execution in respect of eight mines out of the above mines.

- (b) Noamundi Iron Ore Mine of the Company was due for its third renewal with effect from January 1, 2012. The application for renewal was submitted by the Company within the stipulated time, but it remained pending consideration with the State and the mining operations were continued in terms of the prevailing law.

By a judgement of April 2014 in the case of Goa mines, the Supreme Court took a view that second and subsequent renewal of mining lease can be effected once the State considers the application and decides to renew the mining lease by issuing an express order. State of Jharkhand issued renewal order to the Company on December 31, 2014. The State, however, took a view on interpretation of Goa judgement that the mining carried out after expiry of the period of second renewal was 'illegal' and hence, issued a demand notice of ₹3,568.31 crore being the price of iron ore extracted. The said demand has been challenged by the Company before the Jharkhand High Court.

The mining operations were suspended from August 1, 2014. Upon issuance of an express order, Company paid ₹152.00 crore under protest, so that mining can be resumed.

The Mines and Minerals Development and Regulation (MMDR) Amendment Ordinance, 2015 promulgated on January 12, 2015 provides for extension of such mining leases whose applications for renewal have remained pending with the State(s). Based on the new Ordinance, Jharkhand Government revised the Express Order on February 12, 2015 for extending the period of lease up to March 31, 2030 with the following terms and conditions:

- value of iron ore produced by alleged unlawful mining during the period January 1, 2012 to April 20, 2014 for ₹2,994.49 crore to be decided on the basis of disposal of our writ petition before Hon'ble High Court of Jharkhand.
- value of iron ore produced from April 21, 2014 to July 17, 2014 amounting to ₹421.83 crore to be paid in maximum 3 instalments.
- value of iron ore produced from July 18, 2014 to August 31, 2014 i.e. ₹152.00 crore to be paid immediately.

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### 37. Other significant litigations (Contd.)

District Mining Officer Chaibasa on March 16, 2015 issued a demand notice for payment of ₹421.83 crore, in three monthly instalments. The Company on March 20, 2015 replied that since the lease has been extended by application of law till March 31, 2030, the above demand is not tenable. The Company, has paid ₹50.00 crore under protest on July 27, 2015, because the State had stopped issuance of transit permits.

The company filed another writ petition before the Hon'ble High Court of Jharkhand which was heard on September 9, 2015. An interim order was given by the Hon'ble High Court of Jharkhand on September 17, 2015 wherein the Court has directed the Company to pay the amount of ₹371.83 crore in 3 equal instalments, first instalment by October 15, 2015, second instalment by November 15, 2015 and third instalment by December 15, 2015.

In view of the interim order of the Hon'ble High Court of Jharkhand ₹124.00 crore was paid on September 28, 2015, ₹124.00 crore on November 12, 2015 and ₹123.83 crore on December 14, 2015 under protest.

The case is pending before the Hon'ble High court for disposal. The State issued similar terms and conditions to other mining lessees in the State rendering the mining as illegal. Based on the Company's assessment of the Goa mines judgement read with the Ordinance issued in the year 2015, the Company believes that it is remote that the demand of the State would sustain.

(c) The Supreme Court of India vide its order dated September 24, 2014, cancelled the coal blocks allocated to various entities which includes one coal block allocated to the Tata Steel BSL Limited (entity merged with the Company) which were under development. Subsequently, the Government of India has issued the Coal Mines (Special Provision) Act 2015, which inter-alia deal with the payment of compensation to the affected parties in regard to investment in coal blocks. The receivable in respect of de-allocated coal block amounts to ₹414.56 crore (net of provision of ₹138.74 crore). The Company has filed its claim for compensation with the Government of India, Ministry of Coal. Pursuant to letter dated November 22, 2019, Ministry of Coal ('MoC') informed that all statutory license, consent approvals, permission required for undertaking of Coal mining operations in New Patrapara Coal Mine now vested to Singareni Collieries Company Ltd. MoC /Union of India, filed supplementary affidavit dated February 11, 2020 before Delhi High Court vide which it has informed that payment of compensation can be paid to prior allottee after the mine is successfully allotted and compensation is deposited by successful allottee, following the sequence mentioned in section 9 of Coal Mine (Special Provisions) Act, 2015. It has been informed that New Patrapara Coal Mine has been allocated to Singareni Collieries Company Ltd (SCCL, a state Government Undertaking) and compensation to the prior allottee to be released. MoC vide order dated May 17, 2021 has directed SCCL to pay aforesaid compensation to TSBSL (entity merged with the Company).