TATA SPONGE IRON LIMITED

Corporate Identification No. (CIN) : L27102OR1982PLC001091
Regd. Office : Post – Joda, Dist. Keonjhar, Odisha 758 034.
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NOTICE

Dear Member,

Notice pursuant to Section 110 of the Companies Act, 2013

Notice is hereby given pursuant to Section 110 and other applicable provisions, if any, of the Companies Act, 2013, (the **"Act"**), read together with the Companies (Management and Administration) Rules, 2014, including any statutory modification or re-enactment thereof for the time being in force, that the resolutions appended are proposed to be passed as special resolutions by way of postal ballot / e-voting. The explanatory statement pertaining to the aforesaid resolutions setting out the material facts concerning each item and the reasons thereof is annexed hereto along with a postal ballot form (the **"Form"**) for your consideration. The Board of Directors of the Company (the **"Board"**) has appointed Mr. Pramod Kumar Singh of M/s P K Singh & Associates, Practicing Company Secretaries as the Scrutinizer for conducting the postal ballot and e-voting process in a fair and transparent manner.

You are requested to carefully read the instructions printed on the Form, record your assent (for) or dissent (against) therein by filling necessary details and affixing your signature at the designated place in the Form and return the same in original duly completed in the attached self-addressed, postage pre-paid envelope (if posted in India) so as to reach the Scrutinizer not later than the close of working hours i.e. 6-00 PM on Wednesday , 24th December, 2014.

Members desiring to opt for e-voting as per facilities arranged by the Company are requested to read the notes to the notice and instructions overleaf the Form. References to Postal Ballot(s) in this notice include votes received electronically.

Upon completion of the scrutiny of the Forms, the Scrutinizer will submit his report to the Chairman/Director. The result of the postal ballot would be announced by a Director or the Company Secretary of the Company on Saturday, 27th December, 2014 at 5.00 p.m. at the registered office of the Company. The aforesaid result would be displayed at the registered office of the Company, intimated to the Stock Exchanges where the shares of the Company are listed, published in the newspapers and displayed along with the Scrutinizer's report on the Company's website viz.www.tatasponge.com.

RESOLUTIONS:

1. **Consent to borrow Rs 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.**

   To consider and, if thought fit, to pass the following Resolution as a **Special Resolution:**

   "RESOLVED THAT in supersession of the resolution passed by the shareholders of the Company at their 26th Annual General Meeting held on 1st August, 2009, and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) for borrowing, from time to time, any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves provided that the total amount so borrowed by the Board shall not at any time exceed Rs. 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, whichever is higher."

   "RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required to give effect to this Resolution."

2. **Creation of Charges on the movable and immovable properties of the Company, both present and future, in respect of borrowings.**

   To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

   "RESOLVED THAT in supersession of the resolution passed by shareholders of the Company at their 26th Annual General Meeting held on 1st August, 2009, and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the substantial assets of the Company in certain events in favour of banks/financial institutions, other investing agencies to secure rupee/foreign currency loans (hereinafter collectively referred to as **"Loans"**) provided that the total amount of Loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said Loans for which the charge is to be created, shall not, at any time exceed Rs. 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, whichever is higher."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required to give effect to this Resolution."

3. **Approval of material related party transactions:**

   To consider and, if thought fit, to pass the following Resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to provisions of Section 188 of the Companies Act, 2013 read with Rules made there under and provisions of the Listing Agreement with stock exchanges, approval be and is hereby given by way of ratification for purchasing of goods/materials from Related Parties (as detailed in Explanatory Statement to the Notice of Postal Ballot annexed herewith) as per existing contracts/arrangements in the ordinary course of business and also at arm's length basis for a sum not exceeding Rs 255 crore for the period 1st April, 2014 to the date of next Annual General Meeting

By Order of the Board of Directors

S S Dhanjal
Company Secretary

Jamshedpur, 15th October, 2014.

NOTES:

1. Explanatory statements pursuant to Section 102 of the Act, setting out the material facts and reasons for the proposed special resolutions at Items Nos. 1 to 3 above, are appended herein below along with Form for your consideration.
2. The Notice is being sent to all the Members, whose names appear in the Register of Members/list of Beneficial Owners as received from National Securities Depository Limited ("NSDL")/Central Depository Services (India) Limited ("CDSL") as on Friday, 14th November, 2014.
3. In compliance with the provisions of Sections 108 and 110 and other applicable provisions of the Act, read with the Companies (Management and Administration) Rules, 2014 and the Listing Agreement entered into with the Stock Exchanges, the Company is pleased to offer e-voting facility as an option to all the Members of the Company. The Company has entered into an agreement with NSDL for facilitating e-voting to enable the Members to cast their votes electronically instead of dispatching Form. E-voting is optional.
4. As per Section 110 of the Act, read with Rule 22 of the Companies (Management and Administration) Rules, 2014, Notice of Postal Ballot may be served on the Members through electronic means. Members who have registered their e-mail IDs with depositories or with the Company are being sent this Notice of Postal Ballot by e-mail and the members who have not registered their e-mail IDs will receive Notice of Postal Ballot along with Form through physical post/courier. Members who have received Postal Ballot Notice by e-mail and who wish to vote through physical Form may indicate their option to receive the physical Form from the Company by clicking on the box provided in the e-mail or alternatively download the Form from the link www.evoting.nsdl.com or from the 'Investors' section on the Company's website www.tatasponge.com.

EXPLANATORY STATEMENT

Explanatory Statements for Resolutions mentioned under Item Nos. 1 to 3 pursuant to Section 102 of the Companies Act, 2013 (hereinafter referred to as the "Act")

Item No. 1:

Under the erstwhile Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Company could, with the consent of the shareholders obtained by an Ordinary Resolution, borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the aggregate of paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

Under the provisions of Section 180(1)(c) of the Act, which were made effective from September 12, 2013, the above powers can be exercised by the Board only with the consent of the shareholders obtained by a Special Resolution. Further, as per the Circular dated March 25, 2014 issued by the Ministry of Corporate Affairs, the Ordinary Resolution earlier passed under Section 293 (1) (d) of the Companies Act, 1956 will remain valid for a period of one year from the date of notification of Section 180 of the Act, i.e. upto September 11, 2014. As such, it is necessary to obtain fresh approval of the shareholders by means of a Special Resolution, to enable the Board of Directors of the Company to borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the paid up share capital and free reserves of the Company.

The shareholders of the Company, at their 26th Annual General Meeting held on 1st August, 2009 had accorded their consent to the Board of Directors for borrowing upto Rs. 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose at the relevant time, whichever is higher.

As on 31st March, 2014, the net-worth of the Company was approximately Rs 722.62 crore. It is now proposed to give fresh authority to the Board of Directors enabling them to borrow monies, provided that the total amount so borrowed by

the Board shall not at any time exceed Rs. 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, whichever is higher. The Company shall ensure that the debt equity ratio of the Company, at all times, will be within prudent limits. It is necessary to obtain fresh approval of the shareholders by means of a Special Resolution.

The Board recommends the Resolutions mentioned at Item No.1 of the Notice for approval of the shareholders by a **Special Resolution.**

None of the Directors and key managerial personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No.1 of the Notice.

Item No. 2:

Under the erstwhile Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of a Company could, with the consent of the shareholders obtained by an Ordinary Resolution, create charge/ mortgage/ hypothecation on the Company's assets, both present and future, in favour of the lenders/trustees to secure the repayment of moneys borrowed by the Company (including temporary loans obtained from the Company's Bankers in the ordinary course of business).

The shareholders of the Company, at their 26th Annual General Meeting held on 1st August, 2009, had accorded their consent to the Board of Directors for creation of charges/mortgages/hypothecations for an amount not exceeding Rs. 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose at the relevant time, whichever is higher.

Under the provisions of Section 180 (1) (a) of the Act, which were made effective from September 12, 2013, the above powers can be exercised by the Board only with the consent of the shareholders obtained by a Special Resolution. Further, as per the Circular dated March 25, 2014 issued by the Ministry of Corporate Affairs, the Ordinary Resolution earlier passed under Section 293 (1) (a) of the Companies Act, 1956 will remain valid for a period of one year from the date of notification of Section 180 of the Act, i.e. upto September 11, 2014. As such, it is necessary to obtain fresh approval of the shareholders by means of a Special Resolution, to enable the Board of Directors of the Company to create charge/ mortgage/ hypothecation on the Company's assets, both present and future, in favour of the lenders to secure the repayment of moneys borrowed by the Company (including temporary loans obtained from the Company's Bankers in the ordinary course of business). Standard market terms of long term debt finance include conditions whereby lenders/ trustees in certain circumstances (such as non-payment or other events of default) can take over the management of the Company, to recover their dues. It is therefore, necessary to obtain members' approval by way of a Special Resolution under Section 180 (1) (a) of the Act for creation of charges/mortgages/hypothecations for an amount not exceeding Rs. 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.

The proposed borrowings of the Company may, if necessary, be secured by way of charge/ mortgage/ hypothecation on the Company's assets in favour of the lenders/ holders of securities / trustees for the holders of the said securities as mentioned in the Resolution at Item No. 2. As the documents to be executed between the lenders/security holders/ trustees for the holders of the said securities and the Company may contain provisions to take over substantial assets of the Company in certain events, it is necessary to pass a special resolution under Section 180(1)(a) of the Act, for creation of charges/mortgages/hypothecations for an amount not exceeding Rs. 1,800 crore or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.

The Board recommends the Resolutions mentioned at Item No.2 of the Notice for approval of the shareholders by a **Special Resolution.**

None of the Directors and key managerial personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No.2 of the Notice.

Item No. 3:

As per requirements of revised Clause 49 VII (E) of the Listing Agreement with stock exchanges effective from 1st October , 2014, all material related party transactions shall require the approval of shareholders through Special Resolution. The Clause 49 VII (C) provides that a transaction with a related party shall be considered material if the transaction/transaction to be entered into individually or taken together with previous transactions during the financial year (i e during 2014-15) , exceeds 10 % of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. According to this definition the relevant turnover was apprx Rs. 856.56 crore for 2013-14 and 10 % of which is equal to Rs 85.66 crore. Further , as per SEBI's Circular No CIR/CFD/POLICY CELL/2/2014 dated 17th April, 2014, all material related party contracts or arrangements as on the date of that circular which are likely to continue beyond March, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to 1st October, 2014. However, as per the provisions of Section 110(2) of the Companies Act, 2013, if a resolution is assented to by the requisite majority of the shareholders by means of postal ballot, it shall be deemed to have been passed at a general meeting convened in that behalf. Hence, it is proposed to secured shareholders approval on Special Resolution No 3 through postal ballot/e voting for approving following material related party contracts existing on 17th April, 2014 and also likely to continue beyond 31st March 2015:

Sl No	Description	Details
a	Name of the related party	Tata Steel Ltd
b	Name of the director or key managerial person who is related , if any	None
c	Nature of relationship	Tata Steel Ltd is a holding Company having 54.5 % shares in the paid up capital of the Company.

d	Nature, material terms, monetary value and particulars of the contract or arrangement.	**I.** During the 1st quarter, the Company has purchased iron ore from Khondbond and Joda East mines of Tata Steel Limited. **II.** The pricing mechanism is purely market based. OMC price for Gandhmardan Sector has been considered as base/indicative price for Khondbond mines and Barbil sector for Joda East mines. **III.** The indicative price for iron ore purchased from Khondbond mines (64% Fe) was Rs.4801 PMT for 1st quarter . The indicative price for iron ore purchased from Joda East mines (62% Fe) was Rs.3,701 PMT and Rs.4,595 PMT for 1st and 2nd quarter respectively. **IV.** The other material terms include Rs 150/PMT for extra band shift for changes in Fe%, proportionate price adjustment for changes in Fe% . Tata Steel Limited also allows discount at 15% over the reference price. **V.** Total Material Value of procurement as on 30th Sept 2014 is Rs.65.24 crore and the total procurement of iron ore as on 17th April 2014 and the likely procurement beyond 31st March 2015 but up the first AGM falling after 1st October 2014 is expected to be Rs. 225/- Crore.
e	Any other information relevant or important for the members to take a decision on the proposed resolution	The contract for this purchase of Iron Ore is in the ordinary course of business and also at arm's length basis price. The Company has been purchasing iron ore from Tata Steel Limited for producing sponge iron in the kilns of the Company. Till period ended 30th September, 2014 the Company has procured 72,696.80 MT of iron ore from Khondbond mines and 58,410.79 MT of iron ore from Joda East Mines of Tata Steel Limited.

According to provisions of Section 188 and the provisions of the Clause 49 (VII) (E) of the Listing Agreement with stock exchanges the related party shall abstain from voting on Resolution mentioned at Item No 3 of the Notice.

The Board recommends the Resolution mentioned at Item No 3 of the Notice for approval of the shareholders by a Special Resolution.

None of the Directors and key managerial personnel of the Company or their relatives are concerned or interested in the Resolution at Item No 3 of the Notice.

By Order of the Board of Directors

S S Dhanjal
Company Secretary

Jamshedpur, 15th October, 2014