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INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
TATA SPONGE IRON LIMITED

1. We have audited the accompanying Statement of Standalone Financial Results of **TATA SPONGE IRON LIMITED** ("the Company") for the Quarter and Six Months ended September 30, 2014 ("the Statement"), being submitted by the Company pursuant to the requirement of Clause 41 of the Listing Agreements with the Stock Exchanges, except for the disclosures in Part II - Select Information referred to in paragraph 4 below. This Statement has been prepared on the basis of the related interim financial statements, which is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to express an opinion on the Statement, based on our audit of the related interim financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS-25) on Interim Financial Reporting specified under the Companies Act, 1956 (which are deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and other accounting principles generally accepted in India.

2. We conducted our audit of the Statement in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the Statement. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion and to the best of our information and according to the explanations given to us, the Statement:

   (i) is presented in accordance with the requirements of Clause 41 of the Listing Agreements with the Stock Exchanges; and

   (ii) gives a true and fair view in conformity with the accounting principles generally accepted in India of the net profit and other financial information of the Company for the Quarter and Six Months ended September 30, 2014.



4 **Emphasis of Matter**

We draw attention to Note No. 34 of the condensed financial statements regarding judgement of Hon'ble Supreme Court dated September 25, 2014 in which 214 coal blocks has been cancelled which includes Company's Radhikapur (East) Coal Block. For the reasons stated in the said Note and based on a legal opinion obtained by the Company, the Management is of the view that the amount of Rs. 16,792.35 lac paid to Orissa Industrial Infrastructure Development Corporation (OIIDCO) towards land acquisition and costs incidental thereto in connection with the said coal block is recoverable and, hence, no provision is considered necessary for the same amount at this juncture.
Our opinion is not qualified in respect of the above.

5 Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged / encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding, in terms of Clause 35 of the Listing Agreements with the Stock Exchanges and the particulars relating to the investor complaints disclosed in Part II - Select Information for the Quarter and Six Months Ended September 30, 2014 of the Statement, from the details furnished by the Management.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 302009E)



Abhijit Bandyopadhyay
Partner
(Membership No. 54785)

Kolkata, October 15, 2014

TATA SPONGE IRON LIMIITED

Regd. Office : Joda , Post- Joda

Dist- Keonjhar, Orissa, Pin Code 758 034

AUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER, 2014

Part I **(Rs. In Lacs)**

Particulars	3 Months ended 30.09.2014 (Audited)	Preceding 3 months ended 30.06.2014 (Audited)	Corresponding 3 months ended 30.09.2013 in the previous year (Audited)	Year to date figures for current period ended 30.09.2014 (Audited)	Year to date figures for previous period ended 30.09.2013 (Audited)	Previous accounting year ended 31.03.2014 (Audited)
1 **Income from operations**						
a) Net Sales/Income from operations (net of excise duty)	**20,590**	19,330	18,029	**39,920**	34,111	76,272
b) Other Operating Income	**523**	982	251	**1,506**	613	1,950
Total Income from operations (net)	**21,113**	20,312	18,280	**41,426**	34,724	78,222
2 **Expenses**						
a) Cost of materials consumed	**14,643**	12,723	13,693	**27,366**	26,005	54,706
b) Purchase of Finished Goods	**-**		-	**-**	-	-
c) Changes in inventories of finished goods	**997**	(612)	298	**385**	49	(169)
d) Employee benefits expense	**771**	737	625	**1,508**	1,301	2,684
e) Depreciation and amortisation expenses	**308**	276	448	**584**	892	1,775
f) Other expenses	**2,199**	1,659	1,470	**3,858**	2,793	6,467
Total Expenses	**18,918**	14,783	16,534	**33,701**	31,040	65,463
3 Profit from Operations before other income, finance cost and exceptional Items (1-2)	**2,195**	5,529	1,746	**7,725**	3,684	12,759
4 Other Income	**1,283**	1,046	956	**2,329**	1,697	3,542
5 Profit from ordinary activities before finance costs and exceptional items (3 + 4)	**3,478**	6,575	2,702	**10,054**	5,381	16,301
6 Finance Cost	**79**	83	49	**162**	96	1,322
7 Profit from ordinary activities after finance costs but before exceptional items (5-6)	**3,399**	6,492	2,653	**9,892**	5,285	14,979
8 Exceptional items	-	-	-	**-**	-	-
9 Profit from ordinary activities before tax (7 + 8)	**3,399**	6,492	2,653	**9,892**	5,285	14,979
10 Tax expense	**1,146**	2,064	820	**3,210**	1,648	4,862
11 Net Profit from ordinary activities after tax (9 - 10)	**2,253**	4,428	1,833	**6,682**	3,637	10,117
12 Extraordinary items (net of tax expenses)	**-**	-	-	**-**	-	-
13 Net Profit for the period (11 - 12)	**2,253**	4,428	1,833	**6,682**	3,637	10,117
14 Paid up equity share capital (Face value : Rs.10 per share)	**1,540**	1,540	1,540	**1,540**	1,540	1,540
15 Reserves excluding revaluation reserves as per balance sheet of previous accounting year						70,722
16 Earnings Per share (EPS)						
a) Basic and diluted EPS before Extraordinary items for the period, for the year to date and for the previous year (not annualised)	**14.63**	28.75	11.90	**43.39**	23.62	65.69
b) Basic and diluted EPS after Extraordinary items for the period, for the year to date and for the previous year (not annualised)	**14.63**	28.75	11.90	**43.39**	23.62	65.69
See accompanying note to the financial results						

PART II

SELECT INFORMATION FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER, 2014

Particulars	**3 months ended 30.09.2014 (Audited)**	Preceding 3 months ended 30.06.2014 (Audited)	Corresponding 3 months ended 30.09.2013 in the previous year (Audited)	**Year to date figures for current period ended 30.09.2014 (Audited)**	Year to date figures for previous period ended 30.09.2013 (Audited)	Previous accounting year ended 31.03.2014 (Audited)
A PARTICULARS OF SHAREHOLDING						
1 Public shareholding						
- Number of Shares	**7,006,446**	7,006,446	7,006,446	**7,006,446**	7,006,446	7,006,446
-Percentage of shareholdings	**45.50**	45.50	45.50	**45.50**	45.50	45.50
2 Promoters and promoter group Shareholding						
a) Pledged/Encumbered						
- No. of shares	**Nil**	Nil	Nil	**Nil**	Nil	Nil
- Percentage of shares (as a % of the total shareholding of the promoter and promoter group)	**Nil**	Nil	Nil	**Nil**	Nil	Nil
- Percentage of shares (as a % of the total share capital of the company)	**Nil**	Nil	Nil	**Nil**	Nil	Nil
b) Non-encumbered						
- No. of shares	**8,393,554**	8,393,554	8,393,554	**8,393,554**	8,393,554	8,393,554
- Percentage of shares (as a % of the total shareholding of the promoter and promoter	**100.00**	100.00	100.00	**100.00**	100	100.00
- Percentage of shares (as a % of the total share capital of the company)	**54.50**	54.50	54.50	**54.50**	54.50	54.50

	Particulars	**3 months ended 30.09.2014**
B	INVESTOR COMPLAINTS	
	Pending at the beginning of the quarter	**2**
	Received during the quarter	-
	Disposed of during the quarter	**2**
	Remaining unresolved at the end of the quarter	-

SEGMENT REVENUE, RESULTS AND CAPITAL EMPLOYED FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTMBER 2014

(Rs. In Lacs)

Particulars	**3 months ended 30.09.2014 (Audited)**	Preceding 3 months ended 30.06.2014 (Audited)	Corresponding 3 months ended 30.09.2013 in the previous year (Audited)	**Year to date figures for current period ended 30.09.2014 (Audited)**	Year to date figures for previous period ended 30.09.2013 (Audited)	Previous accounting year ended 31.03.2014 (Audited)
Revenue by Business Segment :						
Sponge business	**19,867**	19,046	17,382	**38,913**	32,956	73,723
Power business	**1,632**	1,661	1,176	**3,293**	2,327	5,778
Others	-	-	-	-	-	-
Total	**21,499**	20,707	18,558	**42,206**	35,282	79,501
Less: Intersegment revenue	**(386)**	(394)	(278)	**(780)**	(558)	(1,279)
Net sales / income from operation	**21,113**	20,313	18,280	**41,426**	34,724	78,222
Segment results before finance costs, exceptional items and tax:						
Sponge business	**1,539**	4,434	1,331	**5,973**	2,805	10,526
Power business	**1,170**	1,209	574	**2,379**	1,113	3,040
Others	-	-		-	-	-
Unallocated income/ (expenditure)	**769**	933	797	**1,702**	1,463	2,735
Total segment results before finance costs, exceptional items and tax	**3,478**	6,576	2,702	**10,054**	5,381	16,301
Less: Finance cost	**79**	83	49	**162**	96	1,322
Profit /(Loss) before exceptional items and tax	**3,399**	6,493	2,653	**9,892**	5,285	14,979
Exceptional items:	-	-	-	-	-	-
Profit / (Loss) before tax	**3,399**	6,493	2,653	**9,892**	5,285	14,979
Less : Tax expense	**1,146**	2,064	820	**3,210**	1,648	4,862
Net Profit /(Loss)	**2,253**	4,429	1,833	**6,682**	3,637	10,117
Segment Capital Employed :						
Sponge business	**21,951**	13,709	15,142	**21,951**	15,142	8,979
Power business	**3,170**	3,020	3,628	**3,170**	3,628	3,078
Others	-					-
Unallocated	**53,742**	59,881	48,814	**53,742**	48,814	60,205
Total	**78,863**	76,610	67,584	**78,863**	67,584	72,262

(Rs. In Lacs)

STATEMENT OF ASSETS AND LIABILITIES	As at 30.09.2014	As at 31.03.2014
	Audited	Audited
A EQUITY AND LIABILITIES		
1 **Share holders' Funds**		
(a) Share Capital	**1,540**	1,540
(b) Reserves and Surplus	**77,323**	70,722
Sub-total - Shareholders' funds	**78,863**	72,262
2 **Non- current liabilities**		
(a) Deferred Tax Liabilities (net)	**2,063**	2,181
(b) Other long term liabilities	-	-
(c) Long-term provisions	**496**	466
Sub-total - Non- current liabilities	**2,559**	2,647
3 **Current Liabilities**		
(a) Short-term borrowings	-	-
(b) Trade Payables	**5,098**	5,404
(c) Other current liabilities	**6,164**	6,689
(d) Short-term provisions	**4,967**	5,929
Sub-total - Current Liabilities	**16,229**	18,022
TOTAL - EQUITY AND LIABILITIES	**97,651**	92,931
B ASSETS		
1 **Non- current asstes**		
(a) Fixed Assets	**15,777**	16,655
(b) Non current investments	**186**	186
(c) Long term loans and advances	**17,790**	17,809
(d) Other non-current assets	**3**	2
Sub-total - Non- current asstes	**33,756**	34,652
2 **Current Assets**		
(a) Current investments	**25,082**	20,270
(b) Inventories	**11,037**	6,185
(c) Trade receivables	**1,888**	2,607
(d) Cash and cash equivalents	**20,759**	26,930
(e) Short-term loans and advances	**4,357**	1,661
(f) Other current assets	**772**	626
Sub-total - current asstes	**63,895**	58,279
TOTAL	**97,651**	92,931

Notes :

(1) The above results have been noted in the Audit committee and approved at the meeting of the Board of Directors held on October 15, 2014.

(2) The Company has identified sale of power as separate business segment other than sale of sponge iron considering the requirements under Accounting Standard - 17 on "Segment Reporting" and accordingly the disclosures have been made. Further, as the Company's products are sold primarily in India there is no reportable secondary segment i.e. Geographical Segment.

(3) a. Radhikapur (East) Coal Block was allotted to Tata Sponge as leader along with two other Companies on February 07, 2006. The Hon'ble Supreme Court of India vide its order dated September 25, 2014 has cancelled the allocation of 214 coal blocks including the above. However, the Company has not yet received any communication in this regard.

b The Ministry of Coal ("MoC") also had earlier issued notices to the Company dated November 23, 2012 and February 17, 2014 stating encashment of bank guarantee ("BG") of Rs. 3,250 lacs and de-allocation of the coal block on the ground that there has been delay in coal mining. The Company had filed an appeal before the Hon'ble High Court of Delhi, and obtained a stay order.Pursuant to above mentioned Hon'ble Supreme Court's decision on cancellation of allocation of the coal block, the demand for encashment of bank guarantee of Rs. 3,250 lacs by MoC stands non- enforceable. However pending return of the BG by MoC, the amount continues to be disclosed as a contingent liability

c The Company has invested in capital assets, made advances for acquisition of land and incurred various expenditure on obtaining clearances / permissions, building temporary structures etc. for the development of the said coal block having a carrying value of Rs. 18,101.88 lacs as on September 30, 2014. The Company is in the process of assessing the recoverability of the amounts invested and based on the preliminary assessment has noted the following:

(i). Fees and expenditure incurred for obtaining various clearances / permissions etc. amounting to Rs. 627.60 lacs has been fully provided as the same is considered to be doubtful of recovery.

(ii).The Company has paid Rs. 16792.35 lacs to Orissa Industrial Infrastructure Development Corporation (OIIDCO), Government of Odisha undertaking, as an advance towards land acquisition and costs incidental thereto in connection with the said coal block. While the land has not yet been registered in favour of the Company, the Company has obtained a legal opinion based on which the management is of the opinion that the entire amount is recoverable from OIIDCO. Accordingly, no provision is considered necessary for the same amount at this juncture. The Company shall initiate necessary action on receipt of official communication from the Government of India.

(iii).The fixed assets comprising of freehold land, building and other movable assets with a carrying amount of Rs. 681.93 lacs are considered recoverable, based on the alternative uses of the same.

(4) During this quarter the Company had difficulty in sourcing iron ore due to the closure by the Govt. of Odisha of several iron ore mines operating under deemed extension, pursuant to the Hon'ble Supreme Court's Order dated 16th May,2014. As a result, the procurement cost of iron ore from limited available sources has substantially increased over the previous quarter. This has primarily resulted in lower profit during the current quarter.

(5) During the period, the Company has revised useful life of the fixed assets as specified in Part C of Schedule II of the Companies Act, 2013, except for vehicles and furniture and fixtures for which an useful life of 5 years have been considered. Accordingly, depreciation of Rs. 122.14 lacs (net of deferred tax of Rs. 41.51 lacs) on account of assets whose useful life is already exhausted as on April 1, 2014 has been adjusted with opening retained earnings.

(6) Figures for the previous period/year have been regrouped and reclassified to conform to the classification of current period, where necessary.

For and on behalf of the Board of Directors

D. P. Deshpande
Managing Director
Jamshedpur, 15 October, 2014