

Notes to Financial Results:

1. The audited standalone financial results and consolidated financial results of the Company for the year ended 31st March, 2019 have been reviewed by the Audit Committee and approved by the Board of Directors in its meeting held on 30th May, 2019. The Audited Accounts are subject to review by the Comptroller and Auditor General of India under section 143(6) of the Companies Act, 2013.
2. The figures for the quarter ended 31st March, 2019, represent the derived figures between the audited figures in respect of the current full financial year ended 31st March, 2019 and the published year to date figures up to 31st December, 2018, being the date of the end of the third quarter of the current financial year.
3. Revenue from operations for the periods up to 30th June, 2017 includes excise duty, which is discontinued effective 1st July, 2017 upon implementation of Goods and Services Tax (GST). In accordance with 'Ind AS 18- Revenue'/'Ind AS 115- Revenue from Contracts with Customers', GST is not included in Revenue from Operations. In view of the aforesaid change, Revenue from Operations for the Year ended on 31st March, 2019 are not comparable with the previous year.
4. The Company has adopted Ind AS 115– “Revenue from Contracts with Customers” which is mandatory for the reporting periods beginning on or after 1st April, 2018. The application of Ind AS 115 does not have any material impact on the financial results of the Company.
5. Sales include sale to Government Agencies recognized on provisional contract prices during the year ended 31st March, 2019: ₹5012.76 crore (previous year: ₹4802.50 crore) and cumulatively up to 31st March, 2019: ₹ 17252.66 crore (upto previous year: ₹12271.05 crore).
- 6 (a) The Nine Judges Constitutional Bench of Hon'ble Supreme Court, vide its judgment dated 11.11.2016, has upheld the Constitutional validity of Entry Tax Act enacted by various States and has laid down principles/tests for consideration for deciding the specific issues related to levy of Entry Tax. As on 31st December, 2018, the matters are pending before Regular Benches of Hon'ble Supreme Court/Jurisdictional High Courts/assigned authorities in this regard.

(b) During the current year, Hon'ble Allahabad High Court vide its Order dated 4th May, 2018, dismissed the petition filed by the Company for levy of Entry Tax on goods entering into local areas of Uttar Pradesh. Accordingly, an amount of ₹92.23 crore has been charged in the Statement of Profit and Loss under 'Exceptional Items' during the year (Current Quarter – Nil).

(c) Pending decision by the other Courts, disputed Entry Tax liabilities of ₹1637.35 crore have been treated by the Company as Contingent Liability (as on 31st March, 2018 - ₹1726.16 crore).
7. In respect of the civil appeal filed by DVC pertaining to tariff of FY 2004-05 to 2008-09 against the Order of the Appellate Tribunal for Electricity (APTEL), the Hon'ble Supreme Court of India dismissed the appeal vide its Order dated 3rd December, 2018 which can also have effect on future tariff orders in view of consideration of certain parameters for fixation of tariff. Accordingly, State Electricity Regulatory Commission (SERC) will finalise the retail tariff as directed by APTEL, the financial implication of which can only be ascertained after the Tariff fixation by SERC. Pending fixation of Electricity Tariffs, disputed demands of DVC of ₹ 587.72 crore from FY 2010-11 to FY 2016-17 have been paid and treated as Contingent Liability. Further, from 1st April, 2017 onwards full invoice value is being paid and charged to revenue.
8. Exceptional Items for the current Quarter/Year include :

- (a) Compensation paid on Voluntary Retirement of employees as per the Scheme amounting to ₹1.65 crore and ₹100.72 crore during the current quarter and year respectively.
- (b) Provision of ₹143.54 crore made during the year (Current Quarter – ₹ Nil crore) on account of payment against the demand of Government of Odisha claiming royalty at sized ore for iron ore fines for the period 1st August, 2009 to 23rd August, 2012 in respect of two iron ore mines of the Company located in the State of Odisha.
- (c) Amortisation of Stamp Duty and Registration Charges of ₹52.91 crore in respect of few mines of Raw Material Division pertaining to lapsed lease period.
- (d) Entry Tax amounting to ₹92.23 crore - refer Para 6(b) above.
9. Pending discussion and finalisation, differential price as claimed by Bharat Coking Coal Limited (BCCL) and Central Coalfields Limited (CCL) for coal supplies from 13th / 14th January, 2017 to 31st March, 2017, respectively amounting to ₹334.45 crore, being the amount billed over and above MoU agreed prices, has not been accounted for. Pending discussion and finalisation, the above liability of ₹334.45 crore has been treated as a Contingent Liability.
10. Wage revision for non-executives is due since 01.01.2017. Keeping in view the affordability and financial sustainability clause in Office Memorandum dated 3rd August, 2017 and 24th November, 2017 issued by the Government of India, Ministry of Heavy Industries & Public Enterprises, Department of Public Enterprises (DPE) in respect of pay revision of employees and in view of negative figures of average profit before tax of previous three years, pending negotiation with National Joint Committee for the Steel Industry (NJCS) for such wage revision:
- (i) An all-inclusive provision towards salary and wage revision of Non-executive Employees charged to 'Employee Benefit Expenses' for the period from 01.01.2017 to 31.12.2017 amounting to ₹308.24 crore (including ₹77.47 crore shown as exceptional Item) had been written back during the financial year 2017-18;
- (ii) No provision has been made for the period 01-01-2017 to 31-03-2019.

Based on the above facts, opinion of Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) obtained during the year, and in terms of paragraph 14 of Ind AS 37, since one of the conditions being 'reliable estimate of the amount of the obligation' is not met at present, the Company has considered not to make any provision in the accounts.

11. The Board of Directors has recommended dividend @ ₹0.50 per equity share of ₹10/- each i.e. 5% on the paid up share capital of the Company for the financial year 2018-19, subject to approval of the shareholders in the forthcoming AGM of the Company.
12. (i) The Company does not have taxable income in view of brought forward losses, unabsorbed depreciation and other reliefs available under the Income Tax Act, 1961 ('the Act').
- (ii) In view of the book losses during the immediately preceding three years and based on the expert opinions/ judicial pronouncements (including jurisdictional courts), no provision has been considered necessary during the year for Minimum Alternate Tax (MAT) on book profit as per Section 115 JB of the Act.
13. The Auditors, in their Audit Report on the Standalone Financial Statements and Consolidated Financial Statements for the Year ended 31st March, 2018, have brought out that:

- I. As per 9th National Joint Committee on Steel (NJCS) Agreement dated 1st July, 2014 (which is valid upto 31st December, 2016) signed by the Company, contribution by the Company towards proposed Pension Fund for Non-executive employees was stipulated at 6% of Basic Pay and D.A. Pending revision of the said Agreement and against reservation of representatives of Non-executive employees, Management of the Company has unilaterally reduced the rate of contribution towards the said Pension Fund to 2% of Basis Pay and D.A. and accordingly the Management, in the 4th Quarter of the current year, has written back the provision towards the said Pension Fund for Non-executive employees for the period from 01.04.2015 to 31.12.2016 to the extent of ₹ 288.14 crore.
- II. Wage revision for Non-executives is due since 01.01.2017. During the 4th Quarter of the current year, Management of the Company has reversed adhoc provision already made in last year for the period from 01.01.2017 to 31.03.2017 amounting to ₹77.47 crore. Further the Management has also reversed provision created thereof for nine months ended 31st December 2017 amounting to ₹230.77 crore and also not made any provision thereof for the 4th Quarter of the year. Pending negotiation with Non-executive employees and as per the experience and past practice of earlier wage revisions for Non-executive employees, adhoc provisions from 01.01.2017 to 31.03.2017 of ₹77.47 crore and from 01.04.2017 to 31.12.2017 of ₹230.77 crore should not have been reversed and provision of ₹76.92 crore for the Quarter ended 31.03.2018 should have been made. The aggregate impact of this on Loss before Tax for the current year amounts to ₹ 385.16 crore.
- III. The Company has not provided for :
 - (i) Demand for Entry tax in various States amounting to ₹1,726.16 crore as on 31st March, 2018 and
 - (ii) Amount paid to Damodar Valley Corporation (DVC) in earlier years against bills raised for supply of power and retained as advance to DVC by Bokaro Steel Plant amounting to ₹587.72 crore as on 31st March, 2018.

In respect of (I) above, the Company's view is that the Pension Scheme was approved by the Board in its Meeting held on 9th February, 2017, with a provision that the contribution towards Pension shall be based on the affordability, sustainability and capacity of the Company, measured as a percentage of Profit Before Tax (PBT) to average Net-worth, in line with the Office Memorandum dated 21.5.2014 issued by the Department of Public Enterprises. If the percentage of PBT to average Net-worth is 8% or above, the contribution towards Pension shall be limited to 6% of Basic Pay plus DA for Non-executives. Further, if the percentage of PBT to average Net-worth is lower than 8%, the amount of contribution will be reduced proportionately. However, a minimum Pension contribution is kept at the rate of 2% of Basic Pay plus DA even in case of loss during a Financial Year. Accordingly, the Board of Directors of the Company has approved the write back of Pension contribution for the period from 1.4.2015 to 31.12.2016 in its meeting held on 30.05.2018. Further, the said Pension Scheme has been approved by the Ministry of Steel and SAIL Management and the same has been introduced vide circular dated 29th April, 2019.

In respect of (II) above, the Company's view is that SAIL is a Government Company and is required to follow Government Guidelines for revising pay scales of its employees. The Department of Public Enterprises (DPE) issued Office Memorandum dated 24.11.2017 in this regard. The Guidelines, inter-alia, state that Management of PSEs would keep in view the affordability and financial sustainability of such wage revision and further where the five year periodicity of wage revision is followed, Management has to ensure that negotiated scales of pay for two successive wage negotiations do not exceed the existing scales of pay of executives/officers and non-unionized supervisors of respective CPSEs for whom ten years

periodicity is being followed. The current pay scales of Non-executive employees in SAIL for some of the levels after wage revision effective from 01.01.2012 for 5 years are already higher

than the pay scales of certain Executive employees. Accordingly, it has been approved by the Board of Directors of the Company to withdraw the provision of wage revision for Non-executive employees for the period from 01.01.2017 to 31.03.2017 and also for the nine months ended 31st December, 2017 and not to make any provision for the 4th Quarter of Financial Year 2017-18. During the year, Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India (ICAI) opined that the company should determine whether there exists a present obligation and therefore whether a provision needs to be recognised or not in the specific facts and circumstances, considering all the evidences/factors available as on the reporting date.

In respect of item stated at III(i), the Company's view is that the Nine Judges Bench of Hon'ble Supreme Court, vide its judgment dated 11th November, 2016, upheld the Constitutional validity of levy of Entry Tax by the States and has laid down principles/tests on levy of Entry Tax Acts in various States. The respective regular benches of the Apex Court would hear the matters as per laid down principles. The West Bengal Finance Act, 2017 has included West Bengal Entry Tax in the jurisdiction of West Bengal Taxation Tribunal. Based on the said amendment, Hon'ble Calcutta High Court, vide its Order dated 15th June 2018, has transmitted the Writ Petition of Durgapur Steel Plant and IISCO Steel Plant on Entry Tax to the West Bengal Taxation Tribunal. Pending decision by the regular benches of the Apex Court on levy of Entry Tax in the States of Chhattisgarh, Odisha, Jharkhand and in respect of the case pertaining to West Bengal Taxation Tribunal, the Entry Tax demands under dispute have been treated as Contingent Liability.

During the current year, Hon'ble Allahabad High Court vide its Order dated 4th May, 2018, dismissed the petition filed by the Company for levy of Entry Tax on goods entering into local areas of Uttar Pradesh. Accordingly, an amount of ₹92.23 crore has been charged in the Statement of Profit and Loss under 'Exceptional Items'.

In respect of item stated at III(ii), the civil appeal filed by DVC pertaining to tariff of 2004-09 against the Order of the Appellate Tribunal for Electricity (APTEL), the Hon'ble Supreme Court of India dismissed the appeal vide its Order dated 3rd December, 2018. Accordingly, State Electricity Regulatory Commission (SERC) will finalise the retail tariff as directed by APTEL, the financial implication of which can only be ascertained after the Tariff fixation by SERC. Pending fixation of Electricity Tariffs, disputed claims of DVC of ₹ 587.72 crore from FY 2010-11 to FY 2016-17 has been paid and treated as Contingent Liability. Further, from 1st April, 2017 onwards full invoice value is being paid and charged to revenue.

The above stated disputed demands, stated at III(i) and III(ii), contested on valid and bonafide grounds, have been treated as contingent liabilities as it is not probable that present obligations exist as on 31st March, 2019. Therefore, there is no adverse impact on profit for the year.

14. The figures of previous periods have been re-grouped, wherever necessary, so as to conform to the current periods classification.

For and on behalf of Board of Directors

Place: New Delhi
Dated: 30th May, 2019

(Anil Kumar Chaudhary)
Chairman

