

Independent Auditors' Report

TO THE MEMBERS OF TATA CHEMICALS LIMITED

Report on the Audit of Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Tata Chemicals Limited ("the Company"), which comprise the balance sheet as at 31 March, 2018, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the "standalone Ind AS financial statements").

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require

that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the standalone Ind AS financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs of the Company as at 31 March, 2018, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Other matters

The comparative financial information of the Company for the year ended 31 March, 2017 prepared in accordance with Ind AS included in these standalone Ind AS financial statements were audited by the predecessor auditor who expressed an unmodified opinion thereon as per their report dated 26 May, 2017. Our opinion is not modified in respect of this matter.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure A", a statement on the matters specified in the paragraphs 3 and 4 of the Order.
 2. As required by sub-section (3) of Section 143 of the Act, we report that:
 - (a) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) we have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (c) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (d) the balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this report are in agreement with the books of account;
 - (e) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder;
 - (f) on the basis of the written representations received from the directors as on 31 March, 2018 taken on record by the board of directors, none of the directors are disqualified as on 31 March, 2018 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act;
 - (g) with respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- (h) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 41 to the standalone Ind AS financial statements;
 - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 17 and 36 to the standalone Ind AS financial statements;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March, 2018; and
 - iv. The disclosures in the standalone Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November, 2016 to 30 December, 2016 have not been made since they do not pertain to the financial year ended 31 March, 2018.

For **BSR & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Mumbai
18 May, 2018

Vijay Mathur
Partner
Membership No: 046476

Annexure A to the Independent Auditors' Report – 31 March, 2018

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone Ind AS financial statements for the year ended 31 March, 2018, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and investment properties.
- (b) The Company has a programme of physical verification of its property, plant and equipment and investment properties by which the property, plant and equipment and investment properties are verified by the management according to a phased programme

designed to cover all the items over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with the policy, the Company has physically verified certain property, plant and equipment and investment properties during the year and we are informed that no discrepancies were noticed on such verification.

- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties of land and buildings as disclosed in Note 4 and Note 5 to the standalone Ind AS financial statements, are held in the name of the Company except for the following:

Land / Building	No. of cases	Leasehold / Freehold	Gross block (₹ in crore)	Net block (₹ in crore)	Remarks
Residential flats	3	Freehold	3.12	2.54	The said flats are in the process of getting registered in the name of the Company.

- (ii) The inventory, except for goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. In respect of stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in the books of account.

and inorganic chemicals, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraphs 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company.

- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Profession tax, Income-tax, Duty of customs, Duty of excise, Employees' State Insurance, Sales-tax, Service tax, Goods and Service tax, Value added tax, Cess and other material statutory dues have been regularly deposited during the year with the appropriate authorities.

- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Profession tax, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of customs, Duty of excise, Goods and Service tax, Value added tax, Cess and other material statutory dues were in arrears as at 31 March, 2018 for a period of more than six months from the date they became payable.

- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Accordingly, paragraph 3 (v) of the Order is not applicable to the Company.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Service tax, Duty of customs, Duty of excise, Goods and Service tax and Value added tax as at 31 March, 2018, which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 148(1) of the Act for fertilisers, cement, organic

Name of Act	Nature of Dues	Amount (in ₹ Crore)*	Period to which amount relates	Forum where dispute is pending
Customs Act, 1962	Customs duty	23.43	2012-13 , 2015-2016	Appellate Tribunal
		0.35	1987-88 , 1992-93 , 2001-02 , 2011-12 , 2012-13	Below appellate authority
Central Excise Act, 1944	Excise Duty	0.27	1974-1980 , 1978-79 , 1982-83 , 1981-85	Supreme Court
		50.31	2005-06	High Court
		27.46	1985-1986 , 1986-1987 , 1987-88 , 2006-07 to 2010-11	Appellate Tribunal
		3.02	1996-97 , 2004-05 , 2005-07 , 2009-10 , 2012-13	Below appellate authority
Central Sales Tax Act 1956 and Sales Tax Act of various states	Sales Tax (Central and State) and value added tax	20.00	2009-10 , 2015-16	High Court
		0.89	1999-00 , 2004-05 , 2005-06 , 2007-08 , 2007-08	Appellate Tribunal
		13.43	1991-92 to 1994-95 , 1997-98 , 1998-99 , 1999-00 , 2002-06 , 2008-16	Below appellate authority
The West Bengal Tax on Entry of goods into local areas Act, 2012	Entry tax	96.48	2012-13 to 2015-16	High Court
The Finance Act, 1994 (Service Tax)	Service tax	11.67	2010-11 , 2011-12	Appellate Tribunal
Income Tax Act, 1961	Income tax	44.90	AY 2014-15	Commissioner of Income Tax (Appeals)

*net of amounts paid under protest.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to banks and dues to debenture holders. The Company does not have any outstanding dues to financial institutions and Government.
- (ix) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and has not obtained any term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable to the Company.
- (x) According to the information and explanations given to us, the Company has completed its investigation into certain instances of ethical lapses relating to previous years by certain employees, not being identified as key management personnel. Based on this investigation, the Company has determined that a fraud has been committed on the Company by such employees causing the Company to make payments for services which have not been received by the Company resulting in misappropriation of the Company's assets. The amounts involved in this case are not quantifiable. The Company applied a range of sanctions, upto and including termination of relevant individuals and strengthened the relevant internal controls. The Company identified an instance of fraud on the Company, wherein an employee, not being identified as key management personnel, altered accounting records of the Company resulting in misappropriation of the Company's assets estimated to be ₹ 34.36 crore relating to current and previous years. The Company has terminated the employment of the concerned employee and has also initiated criminal action against the employee and other beneficiaries. In our opinion and according to the information and explanations given to us, no fraud by the Company and except for the above matters, no other fraud on the Company by its officers or employees, has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company,
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by applicable Ind AS.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3 (xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3 (xvi) of the Order is not applicable to the Company.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Vijay Mathur
Partner
Membership No: 046476

Mumbai
18 May, 2018

Annexure B to the Independent Auditors' Report – 31 March, 2018

(Referred to in our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Tata Chemicals Limited ("the Company") as of 31 March, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Mumbai
18 May, 2018

Vijay Mathur
Partner
Membership No: 046476