

Tata Steel Limited

August 28, 2024

The Hon'ble Supreme Court of India, in a recent judgement, has upheld the power of State Governments to tax mineral rights and mineral-bearing lands. Furthermore, the bench, vide its judgement dated August 14, 2024, has also concluded that the States may levy or renew demand of such tax (if any) in a retrospective manner, on transactions made on or after April 01, 2005. The said judgement further states that, should the States choose to exercise this retrospective option, then the total amount due from an assessee can be paid over a period of 12 years, beginning April 1, 2026, without any interest or penalties.

Tata Steel Limited (TSL) had received various demands during FY06 amounting to Rs. 129 crore pertaining to the period FY05 and FY06 in respect of its mines in the State of Odisha under the 'Orissa Rural Infrastructure and Socio-Economic Development Act, 2004 (ORISED Act)' which was introduced by the State for levying tax on mineral bearing land with effect from February 1, 2005. TSL had contested the above demand, however, pending clarity on the applicability of the levy, the company had been recognising this as contingent liability; the estimated amount of which stood at Rs.17,347 crore as on June 30, 2024 (as reported in its Q1FY25 results published on the Stock Exchanges).

While CARE Ratings Ltd. shall continue to assess the impact (if any) of the afore-mentioned ruling of the Hon'ble Supreme Court of India on entities involved in mining operations and appropriately review the ratings as and when further clarity emerges, we note that TSL has a strong business and financial risk profile as on June 30, 2024 and that the payment of the retrospective liability is spread over 12 yearly installments.

Please refer to the following link for Care Ratings Ltd's previous Press Release on TSL which captures amongst other things the rationale and key rating drivers along with their detailed description, rating sensitivities, liquidity position, and brief financial indicators. [Click here](#)

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