



Press Release

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JSW ISPAT STRIKE LANDMARK STRATEGIC ALLIANCE

Consolidation is very rarely witnessed amongst Indian Corporates. However, JSW Steel and Ispat Industries Ltd are writing a new chapter in the books of Indian corporate history. JSW will acquire a controlling stake in Ispat Industries Ltd. The deal that has an enterprise value of around US \$3 billion will make JSW India's largest steel producer with a combined capacity of 14.3 mtpa by March 2011. This monumental deal was announced today in a joint press conference held by Mr Sajjan Jindal and Mr Vinod Mittal.

ROBUST FUTURE FOR STEEL:

High rates of growth to the tune of 9% per annum, compounded with huge infrastructure investments have ensured that the demand for steel will remain robust in the near future. JSW Steel is therefore continuously on the lookout for both organic and inorganic growth opportunities. The collaboration with Ispat Industries fits in very well with JSW's bullish outlook on the emerging steel scenario.

ISPAT's UNIQUE FEATURES:

Ispat Industries, with a production capacity of 3.3 mtpa, is inherently seen as a pioneering company that brought new technologies into India viz: Twin Shell ConArc furnace and Thin Slab Casting facility. The Twin Shell ConArc furnace provides the steel making facility with a great amount of flexibility. Along with the state-of-the-art Compact Strip Mill, Ispat also has an in-house jetty, with a cargo handling capacity of 12 mtpa, that gives it an added advantage. Further, Ispat's mining concessions in India and overseas along with the geographical location of the plant in the West of India makes it all the more attractive.

STRATEGIC PLAN FOR PERFORMANCE ENHANCEMENT:

The current difficulties of Ispat Industries emanate from a financial imbalance and lack of integration in key inputs of coke, pellet and power. JSW's infusion of equity removes this financial stress and the proposed linkages of key inputs will reduce the operating cost. By taking over the management of Ispat Industries, JSW will address these concerns, creating value for all Ispat stakeholders.

Ispat Industries will issue on a preferential basis, 108.66 crores equity shares at Rs.19.85 per share for a consideration of Rs.2157 crores. In addition, JSW will make an open offer to the minority shareholders of Ispat Industries as per SEBI guidelines.

While JSW's holding will be at 41.29% on completion of preferential allotment, with a scope to go up based on the outcome of the open offer, the existing promoters will hold 26% on completion of transaction. Dilution of holding for both the parties will occur if there is a capital raising in the future. JSW will further re-finance the entire outstanding debt of Ispat.

JSW will also put in a systematic plan to turnaround Ispat Industries by developing synergies in the competitive steel market. JSW Steel will facilitate sourcing of key inputs like coke, pellet and power which will bring down the cost of production substantially. JSW's extensive pan India network will provide Ispat with better market penetration. By improving the levels of efficiency and by rationalizing the sourcing of Iron ore lumps and fines JSW will reduce the cost of production.

Besides this, Ispat industries will set up a captive coke oven plant, pellet plant and power plant to achieve complete integration of steel making facilities over a period of 36-48 months in order to reduce cost of production. Along with this various operational efficiency projects which shall be taken up along with debottlenecking of existing facilities for capacity enhancement from 3.3 mtpa to 4.2 mtpa.

Ispat Industries will be renamed JSW Ispat Steel Ltd. Mr. Sajjan Jindal will be the Non Executive Chairman of the Company. Mr. Vinod Mittal will be Executive Vice-Chairman of the Company during the transition period and subsequently function as a Non-Executive Vice Chairman.

This controlling stake takes JSW one step closer in achieving its aim of producing 34 mtpa by 2020.

Enam Securities Pvt. Ltd. was the exclusive financial advisors to JSW for the transaction and Amarchand Mangaldas and Suresh Shroff were the legal advisors.

Kotak Investment Banking was the exclusive financial advisor to Ispat Industries Ltd for the transaction and Economic Laws Practice were the legal advisors.

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