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Press Release

Merger Catapults JSW Steel to Top League in Indian Steel Sector

In December 2010, JSW Steel Limited (“JSW Steel”) and Ispat Industries Limited, now renamed as JSW Ispat Steel Limited (“JSW Ispat”), took a historic step when JSW Steel invested Rs 2,157 crore in JSW Ispat and became the largest shareholder in JSW Ispat. Today, the two companies have cemented their alliance by announcing the merger of JSW Ispat with JSW Steel. The merger completes the integration of the two businesses and enables the full realization of strategic benefits resulting from the combination.

The Boards of Directors of JSW Steel and JSW Ispat, in their respective meetings held today, approved the merger proposal. The exchange ratio recommended by the Valuers and approved by both the boards is 1 (one) equity share of JSW Steel to be issued for every 72 [seventy two] equity shares of JSW Ispat.

Commenting on the merger, Mr. Sajjan Jindal, Chairman and Managing Director, JSW Steel said, “Merger of JSW Ispat with JSW Steel is an important step in our ongoing growth journey towards creating a world class global steel company. JSW Ispat brings several unique advantages and the merger will help in realization of integration benefits of the two companies.”

JSW Ispat Turnaround

JSW Ispat has made significant progress in its turnaround journey since the acquisition by JSW Steel. A number of strategic and operational initiatives have been completed, and some are in progress:

- JSW Steel assisted in better sourcing of key production inputs especially power supplies from JSW Energy leading to improved profitability.
- Marketing strategies have been reworked leading to freight synergies and better realizations.
- The complexity previously arising from the financial imbalance at JSW Ispat at the time of acquisition was removed through timely equity infusion, debt refinancing and rationalisation of working capital funding.

- JSW Ispat was brought out of CDR through enhanced ability to pay interest. Currently, the company is EBITDA positive.
- Commissioning of 55MW power plant, lime calcination plant and railway siding by June 2013 is expected to give significant benefits.
- JSW Steel continues to sustain the turnaround through cost reduction initiatives in the form of setting up of 1 MTPA coke oven and a 4 MTPA pellet plant expected to be commissioned in FY 2014 to ensure dedicated supplies of these key inputs at competitive costs.

As a result of the above milestones, JSW Ispat is now stabilized and is poised to be profitable on completion of the above mentioned projects.

Merger Benefits and Synergies

The integration of JSW Ispat into JSW Steel is expected to bring significant strategic advantages with it, particularly alternative steel making technologies, ability to achieve swift capacity expansion, shore based facility and Pan India expansion of market reach. The merger completes the integration and aims to capture full value of the combination:

Scale and Strategic Diversification

- Catapults JSW Steel to become one of India's leading steel companies in terms of installed capacity.
- Economies of scale.

Enhanced Market Reach & Location Advantages

- De-risk single location upstream profile.
- Leverage each other's marketing and distribution platforms to expand market reach.
- Reduce marketing, general and administration overheads via better utilization of infrastructure and elimination of redundancies.

Strong Technology Platform

- House multiple modern steel-making technologies under one roof.
- Enable flexible production processes.

Financial Benefits

- Realize significant financial benefits via accelerated utilization of unabsorbed tax losses at JSW Ispat as well as optimal use of depreciation on further capital investments.
- Improve JSW Ispat's cost structure via faster implementation of several plant integration initiatives.
- Potential to reduce cost of financing.

Composite Scheme of Arrangement and Amalgamation (Scheme)

- Under the terms of the proposed Scheme of merger, equity shareholders of JSW Ispat will receive 1 (One) equity share in JSW Steel of face value of Rs 10 each for every 72 [seventy two] equity shares in JSW Ispat held by them.
- JSW Steel's shareholding in JSW Ispat will stand cancelled under the Scheme.
- JSW Steel will issue 1.86 crore new equity shares, thereby increasing its outstanding shares to 24.17 crore and its equity capital to Rs. 241.72 crore. JSW Steel will also issue 48.54 crore new 0.01% non convertible cumulative redeemable preference shares to the preference shareholders of JSW Ispat increasing its preference share capital to Rs. 764.44 crore.
- In the post merger equity share capital, the promoters of JSW Steel will own 35.12% in the merged entity, 14.92% shall be held by JFE Steel International Europe BV (herein referred to as "JFE Holdings") and the remaining 49.96% will be held by the public shareholders
- The Downstream units of JSW Steel [Vasind and Tarapur] and Downstream unit of JSW Ispat [Kalmeshwar] will be transferred to a wholly owned subsidiary of JSW Steel as a part of the Scheme .
- The appointed date of the Scheme will be July 1, 2012.

Approvals and Timelines of the transaction

The scheme is subject to approval of the Hon'able High Court, Lenders, Creditors, Preference Shareholders, Equity Shareholders, BSE, NSE, Competition Commission of India and other relevant approving authorities.

JSW Steel expects to complete the process of merger by the end of this financial year.

Independent Advisors to the Transaction

- **Independent Valuers:** KPMG India Private Limited for JSW Steel and Price Waterhouse & Co. for JSW Ispat
- **Fairness Opinion:** Enam Securities Private Limited for JSW Steel and Citigroup Global Markets India Private Limited for JSW Ispat
- **Legal Advisor:** Amarchand & Mangaldas & Suresh A Shroff & Co

About JSW Steel

JSW Steel is a part of the diversified **\$10 bn JSW Group**, which has presence in Steel, Energy, Infrastructure, Cement, Aluminium and IT segments. Currently, JSW Steel is the **2nd largest** integrated steel company in India with an installed steel making capacity of 11 MTPA. It is the only steel company with strategic presence in both Southern and Western regions of India, operating through four manufacturing facilities. JSW Steel's plant at Vijaynagar is one the largest **single location steel producing facility** in the country with a capacity of 10 MTPA. JSW Steel boasts of a strong product assortment covering the entire gambut of flat and long steel products manufactured through upscale technology in the form of Corex and Blast furnaces. JSW Steel also has an operating strategic partnership with Japan based JFE Corporation to share technological competence and gain access to the automotive steel making technology. The company has international presence in Chile, US and Mozambique for its Iron ore, coking coal and plate / pipe mill operations.

About JSW Ispat

JSW Ispat is one the foremost producers of Hot Rolled Coils in India. It owns two manufacturing units – a 3.3 MTPA integrated steel plant in Dolvi and another 0.3 MTPA downstream unit at Kalmeshwar. The manufacturing facility at Dolvi also possesses a captive Jetty. JSW Ispat boasts of a blend of iron producing capabilities through a 2 MTPA Blast furnace and 1.6 MTPA DRI. The product portfolio consists of HRC, CRC, Colour coated sheets etc. It possesses a strong technological proficiency in terms of Twin Shell ConArc Furnace and Thin Slab Casting Technology. JSW Ispat was set up in 1984 as Nippon Denro Ispat Ltd. It was the flagship company of the Ispat Group. JSW Steel acquired a stake in the company in December 2010, post which it was renamed as JSW Ispat Steel Ltd. **Forward looking and Cautionary Statements:**

Certain statements in this release concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition within Steel Industry including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our internal operations, reduced demand for steel, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which JSW Steel has made strategic investments, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. The company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the company.

For Further information, please contact:

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