

Brief Note on Business and Financial Aspect of Composite Scheme of Arrangement and Amalgamation under sections 391 to 394 of the Companies Act, 1956 amongst JSW ISPAT Steel Limited (JSW ISPAT or Transferor Company -1) and JSW Building Systems Limited (JSW Building or Transferor Company -2) and JSW Steel Coated Products Limited (JSW Steel Coated Or Transferee Company - 1) and JSW Steel Limited (JSW Steel or Transferee Company - 2) and their respective shareholders and creditors.

- The Appointed date in terms of the Scheme is 01st July 2012.
- The Scheme inter alia envisages the following:
 - the transfer and vesting of the Kalmeshwar undertaking of JSW ISPAT to JSW Steel Coated, as well as the transfer and vesting of Downstream undertaking of JSW Steel to JSW Steel Coated.
 - The merger of Residual JSW ISPAT and JSW Building with Residual JSW Steel
- Rationale of the Scheme is as under:
 - JSW Steel and JSW Ispat are both engaged in similar lines of business.
 - The proposed restructuring is likely to result in the following synergies:
 - The combined entity will be an integrated steel player with a capacity of 14.3 million tons per annum. This will help the Amalgamated Company in achieving economies of scale. The Amalgamated Company will be able to use best practices and business processes of both JSW Ispat and JSW Steel for optimal utilization of resources, better administration and reduction in cost.
 - The consolidation will result in improved capital allocation and will also help the Amalgamated Company in reduction of cost of financing.
 - The Amalgamated Company will be able to leverage the combined distribution network of JSW Ispat and JSW Steel which would strengthen its market reach pan India. Further, the Amalgamated Company will have access to expertise for multiple steel making technologies and shore based infrastructure.
 - The transfer of the Kalmeshwar Undertaking and the Downstream Undertaking will enable focused approach in management of business of coated products.
 - The overall restructuring is likely to result in direct and indirect tax efficiencies.
 - Rationalization of the holding structure of various businesses resulting in an improved alignment of debt and cash flows and the elimination of cross holdings.
 - Improvement of organizational capability and leadership, arising from the pooling of human capital possessing diverse skills, talent and experience, enabling the Amalgamated Company to compete successfully in an increasingly competitive industry.
 - The synergies arising out of the consolidation of business and the reorganization would benefit the shareholders, strategic partners, lenders, employees and all other stakeholders of companies involved.



- Upon the Scheme becoming effective, the consideration for the transfer and the merger will be as under:

- **TRANSFER AND VESTING OF THE KALMESHWAR UNDERTAKING OF JSW ISPAT AND THE DOWNSTREAM UNDERTAKING OF JSW STEEL INTO JSW STEEL COATED**

JSW Steel Coated is a wholly owned Subsidiary of JSW Building which in turn is wholly owned subsidiary of JSW Steel. Hence, transfer of the Downstream Undertaking of JSW Steel to JSW Steel Coated shall be without consideration and JSW Steel Coated shall not be required to issue any shares or pay any consideration to JSW Steel or to their respective shareholders upon transfer and vesting of the Downstream Undertaking of JSW Steel. As residual JSW ISPAT is proposed to be amalgamated with JSW Steel under Part III of the scheme, the transfer and vesting of Kalmeshwar Undertaking of JSW ISPAT shall be without any consideration and JSW Steel Coated shall not be required to issue any shares or pay any consideration to JSW ISPAT or to their respective shareholders upon transfer and vesting of Kalmeshwar Undertaking of JSW ISPAT.

- **MERGER OF RESIDUAL JSW ISPAT INTO RESIDUAL JSW STEEL**

(a) For every 72 (seventy two) fully paid-up equity shares of face value of Rs 10/ (Rupees Ten only) each held in JSW ISPAT, 1 (one) equity share of face value of Rs. 10/- (Rupees Ten only) each, credited as fully paid up, in the Transferee Company - 2; and

(b) For every 1 (one) fully paid-up 0.01% Cumulative Redeemable Preference Shares of face value of Rs 10/- (Rupees Ten only) each held in JSW ISPAT, 1 (one) 0.01% Cumulative Redeemable Preference Shares of face value of Rs 10/- (Rupees Ten only) each, having the same rights and terms and credited as fully paid up, in the Transferee Company - 2;

No fractional shares shall be issued by JSW Steel; however the Board of Directors (or its duly authorised committee) of JSW Steel shall consolidate all fractional entitlement(s) and, without any further application, act, instrument or deed, allot equity shares in lieu thereof directly to a Trustee who shall hold the shares in trust, on behalf of the members entitled to such fractional entitlements, for the specific purpose of selling the same at such time or times and at such price or prices as the Trustee may in its sole discretion decide. The Trustee shall pay to JSW Steel, the net sale proceeds thereof, whereupon JSW Steel shall distribute such net sale proceeds, subject to taxes, if any, to the erstwhile members of JSW Ispat in proportion to their respective fractional entitlements.

- **MERGER OF JSW BUILDING INTO RESIDUAL JSW STEEL**

JSW Building is a wholly owned subsidiary of JSW Steel. Therefore, the Transferee Company – 2 shall not issue any shares to the shareholders of JSW Building upon the coming into effect of this Scheme, and in consideration of the merger of JSW Building into Residual JSW Steel.

