



JSW Steel strongly refutes all criminal conspiracy charges

- **Joint Venture with MML is in pursuance of commitment of Government of Karnataka due to delay / failure in allocation of captive mines**
- **After JSW Steel turned the non-functional and non-profitable MML mine into a viable JV operations with infusion of funds, MML violated contractual terms and illegally recovered Rs. 216 Crores**
- **No basis for attributing criminal conspiracy to a continuing transaction, approved by the Government of Karnataka in 1996 and is known to the successive Governments for over a decade**
- **Tarnishing the image and accusing JSW Steel for causing an assumed loss of Rs. 890 Crores, when Government of Karnataka has not fulfilled its promises, is unfortunate**

Mumbai, 18 Oct 2012: Certain sections of Print and Electronic Media relying upon a CBI press release have reported that JSW Steel Ltd (Company) had allegedly entered into criminal conspiracy with certain persons including the then Chief Minister of Karnataka during 2006-2010 for not insisting on recovery of Rs. 890 Crores from the Company for causing alleged loss to Mysore Minerals Limited (MML), a Government of Karnataka Undertaking. While the company and its officials are yet to be served with a copy of the charge sheet, the media

coverage on this issue is **absolutely misleading causing irreversible loss/ harm to the reputation of the company.**

The Company wishes to notify to all its **esteemed stakeholders that the allegation are without any basis as till date MML or any other authority including Hon'ble Karnataka Lokayukta have never demanded or made allegation against the company regarding alleged loss amounting to Rs. 890 Crores** while the joint venture with the said MML is in operation for over 10 years spanning the tenure of successive governments in state of Karnataka. On the contrary the Company has filed a law suit against MML for recovery of principal claim of Rs. 216 crores illegally recovered from the Company.

Following facts bear out that allegations made are speculative and without legal basis:

By order dated 11.10.1994, the Government of Karnataka (GOK), with approval at its highest level at Cabinet, promised to the Company viz. land, power, infrastructure facilities including captive iron ore mines to the extent of 110 Million Tons with a view to promote economic growth of a backward area of Bellary District by establishing integrated steel plant, which is otherwise a land locked area.

As allocation of promised iron ore leases was unduly delayed and the steel plant was in an advanced stage of implementation, GOK decided in its Cabinet Meeting in 1996 to direct MML to enter into a joint Venture with the company to manage its Thimmappanagudi Mine (TIOM) to meet part requirement of iron ore of the company to the extent of 40 million tons, which TIOM was estimated to possess at the relevant time, while the balance 70 million tons was promised to be met by recommending grant of mining lease at alternate site/s.

The Company and MML entered into a Memorandum of Understanding (MOU) on 17.1.1997 after prolonged negotiations on finalization of the commercial terms, which was duly approved by then Government. A joint venture company M/s Vijayanagar Minerals Pvt Ltd (VMPL) was incorporated to give effect to directions of the GOK and to raise iron ore in terms of MOU.

The said TIOM mine was non-functional at the relevant time and MML was unable to operate the same. Company made significant expenditure in making TIOM mine operational including creation of mining infrastructure, discharge of VRS liability towards its workforce and other statutory dues and also investment in beneficiation plant to make certain low grade iron ore extracted from the said mine usable, which otherwise had no marketability.

During the period 2001-2010, VMPL extracted iron ore from TIOM mine to the extent of 10.67 million tons, generating revenues of Rs.115 Crores besides dividend of Rs.1.73 crores to MML.

It is not out of place to mention that MML was a Sick Company and GOK had issued an order in 2003 for privatization/ closure of MML. The revenues from JV Company have played a significant role in making MML viable, helping MML come out of losses.

Despite the government directive to allow operation of TIOM by a JV company to meet the captive ore requirements of the company in fulfilment of government commitments, MML in violation of all contractual norms, unilaterally amended the terms of MOU with effect from 1.4.2010 by increasing premium payable to it from 6% to 50% of market price of Iron Ore Fines on the pretext that the company did not bring matching mines to JV company ignoring its repeated pleadings that it has not been allotted any mine by GOK as per their commitments. By doing so, MML has illegally recovered a sum of Rs. 216 Crores over a period from 1.4.2010 to 31.7.2011 exploiting the vulnerable position of the company given its dependence upon market sources for iron ore. The Company has already initiated suitable legal proceedings in this regard.

Relying upon the commitments made by GOK made in 1994, the Company had made initial investment of Rs. 6300 crores for establishment of Integrated Steel Plant at Toranagallu, Bellary which has been further expanded and today stands as 10MT per annum capacity with capital investment of more than Rs. 30,000 Crores, so far the largest capital investment in State of Karnataka. The Company has generated direct and indirect employment to about 26,000 people and also improved lives of more than three lakh people in their social and economic well

being. Over the years, the company has paid more than Rs. 12,000 Crores to exchequer by way of various state and central taxes.

Despite commitments made by GOK, not a single iron ore mine has been allocated to the Company till date and the Company has to source iron ore at market price.

It is apparent from the above facts that company has executed all the promises it made to the GOK. **But the successive governments have failed to fulfil commitment of providing captive iron ore mines to the company.** On the contrary successive governments have granted several mining concessions to other applicants intending to export or trade in iron ore in priority to the commitments earlier made to the company which made several thousand crores of investment, generated employment and contributed to the exchequer of the country. Though **company is aggrieved, yet, its image is being maligned as GOK is failing to place the facts before the public/ authorities that no favours were extended to the Company.**

The Company would present its defence before the Competent Court. The company has highest regard for the judiciary and believes justice will be done.

For Further information, please contact:

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