



## PRESS RELEASE

### **JSW DENIES LOKAYUKTA REPORT'S ALLEGATIONS**

***\*\* Appalled and concerned with the untenable conclusions drawn in the Lokayukta report***

***\*\* JSW vehemently denies and contests false allegations and is ready for scrutiny by appropriate authorities***

***\*\* Every tonne of iron ore bought by JSW was against purchase orders and requisite documents.***

***\*\* No allocation of iron ore mine despite assurances from Karnataka state***

***\*\* JSW paid the full price to the seller as per the terms of purchase order and the seller was obliged to discharge his statutory obligations***

***\*\* JSW is the aggrieved party despite heavy investment in Karnataka with no captive mines***

**New Delhi, August 04, 2011:**

The media has widely reported following the submission of Lokayukta Report dated 27th July 2011 about certain instances of lapses on the part of JSW Steel Limited in the iron ore mining-related issues in Bellary district.

JSW Steel Limited, India's leading steel maker, vehemently denies such allegations which will be dealt with appropriately.

**JSW Steel is appalled and concerned with the untenable conclusions drawn in the Lokayukta report based on speculative inferences being drawn against JSW Steel without giving adequate opportunity to the company to present its view point with complete facts.**

**JSW Steel strongly refutes and denies such false allegations and affirms that it scrupulously follows all the applicable laws and regulations and does not compromise on the same.**

The JSW Group is the largest investor in the Karnataka state with an investment of over Rs.40,000 crore in steel, power and industrial gases sectors.

JSW Steel Ltd has already made investments of over Rs 33,500 crore to set up a 10 million tonne per annum capacity steel plant in the state of Karnataka based upon the MOU signed by the Government of Karnataka and the assurance of mining concessions to JSW Steel. However JSW Steel, in fact, is the aggrieved party as despite making such huge investments based on assurances, it is still waiting to get mining leases for over 15 years.

This is when several leases were renewed or granted to merchant miners and such merchant mining companies in the past 15 years have exported more than 150 million tons iron ore, while JSW Steel is still waiting for allocation of mines even after such a large investment.

JSW Steel is ranked No.7 among the 35 world class steel makers despite the fact that it does not even have captive mines. JSW Steel has adopted eco-friendly, efficient and state of the art technologies and spends 1.5 percent of net profits voluntarily on various CSR activities as a part of group philosophy.

*We elaborate our response further in this regard.*

a) **Procurement of Iron Ore**

JSW Steel procures iron ore from NMDC, VMPL/MML and other mining companies. Each and **every tonne of iron ore bought by the JSW Steel is against valid purchase orders and supplies were accompanied by requisite documents.** JSW Steel has accounted for entire procurement and its usage and has paid the sale consideration for the same.

As negotiated with the sellers/suppliers of Iron ore, the sale consideration as paid by JSW Steel was inclusive of all applicable taxes and royalty. The sellers/ suppliers are responsible and liable to discharge their statutory obligations and if there is a violation, the seller/supplier must be held responsible.

If the mining company or transporter or the agency which issues permits had not adhered to applicable law, then JSW Steel cannot be held liable or responsible in any manner.

If there are violations and illegal mining, it is for the respective designated agencies/authorities to take appropriate action against the defaulting companies. **JSW Steel is in no way connected to these alleged illegal activities** and unlawful extraction of minerals or default in payment of royalty/taxes by the mine owner to the state exchequer.

b) **Movement of Iron Ore**

The Lokayukta report alleges that iron ore was transported illegally from a stock yard located near JSW premises run by Sri Swastik Nagaraj and Karapudi Mahesh and their associates.

This stockyard from which the iron ore is alleged to have been transported to different destinations is neither owned nor controlled in any manner by JSW Steel. However, JSW Steel's name has been dragged into the illegal transportation of iron ore to Autonagar and Baba Plot.

Similarly, when JSW Steel is not in the business of iron ore export and has not shipped any iron ore to Krishnapatnam Port or any other port, its name is unnecessarily included with the other names transporting ore from various loading points to Krishnapatnam Port, thereby putting it in disrepute.

**JSW Steel is in no way connected with these alleged transactions.** In any case, JSW Steel is not the designated agency to monitor/regulate the movement of iron ore. Such allegations are categorically and vehemently denied by JSW Steel.

c) **Non Adherence of Agreement with Mysore Minerals - Joint Venture**

Vijayanagar Minerals Pvt Ltd (VMPL) is a joint venture between JSW and MML. The activities of this JV are being governed as per the commercial understanding recorded in the MOU dated 17/01/1997 and the amendments thereto signed among the parties. All the actions including sale of low grade iron ore lumps to SWML by VMPL during 2003-05 were in compliance with the applicable laws and was in line with the commercial understanding between parties; since at that point in time, these lumps were not usable at

JSW Steel's plant. **We clarify that there has been no violation of any agreements in this regard.**

d) **Collateral benefits in obtaining mining concessions**

JSW Steel's name is needlessly dragged into - and defamed by - drawing conjectures against it in the Lokayukta report which links routine, genuine and prudent commercial transactions with unrelated correspondence of routine nature between various government departments. The correspondence between them affirms the factual information without expression of any view or recommendation in favour of JSW Steel. When JSW Steel does not have any allocation of mining concessions even after several years of its substantial investment, conjuncture of collateral benefit to JSW Steel is a mere speculation.

The O P Jindal group is committed to the philosophy of well being of society and has over the last 10 years spent and donated substantial sums for various social causes. This philosophy is embedded within JSW Group and accordingly the group promotes education, sports, health, and other CSR activities. It runs schools and hospitals at several places.

The contributions made by the group include donations to Akshya Patra Foundation, which provides mid-day meals to more than 1,30,000 school children per day in various schools in Bellary District, Calamity Relief Fund of Karnataka, Art of Living Foundation, Iskon Food Relief Foundation, Residential School of Orphanage and Destitutes, Shri Ramakrishna Saardha Ashram Child Care foundation, maintenance of public parks, Hampi foundation trust for restoration of temples of historical importance among others.

Taking forward the group philosophy, SWML gave donation for construction of an auditorium (to be named in the name of the founder chairman Sri O P Jindal) in a Technology and Management Institute run by Prerana Education Society in Shimoga district of Karnataka. This contribution was made after satisfying that these institutions are professionally managed.

SWML is a profit making company and decided to give donations out of its own generation for a cause promoted by group. The payments made by JSW Steel to SWML were towards ongoing commercial contracts. The referred transactions in the Lokayukta report are backed by commercial contracts

which were ignored and correlated to unrelated issues unnecessarily leading to untrue and adverse inferences.

As regards land purchased by SWML, it was bought at market prices to set up building and guest house for the group companies at Bangalore. This plot is located near the new Airport and adjacent to IT Park.

It once again demonstrates that JSW Steel adheres to highest levels of transparency and corporate governance. The Lokayukta report wrongly dragged the name of JSW Steel into this controversy based on surmises and conjectures based on inadequate information and incomplete understanding of issues involved.

**JSW is ready and willing and shall give appropriate clarifications to the relevant authorities if and when asked to do so.**

#### **About JSW Steel Limited**

JSW Steel Ltd., belonging to JSW group, part of the O P Jindal Group, is one of the lowest cost steel producers in the world. The group has diversified interest in mining, carbon steel, power, industrial gases, port facilities, Aluminium, Cement and Information Technology. JSW Steel Limited is engaged in manufacture of flat and long products viz. H R Coils, C R Coils, Galvanised products, Galvalume Products, auto grade / white goods grade CRCA Steel, Bars and Rods. Incorporated in 1994, it has grown to US \$ 7 billion in little over fifteen years. JSW Steel Limited has the largest galvanizing and colour coating production capacity in the country and is the largest exporter of galvanized products with presence in over 100 countries across five continents.