



Proxy Advisory Report

JSW Steel Ltd

BSE Code: 500228 | NSE Code: JSWSTEEL | ISIN: INE019A01020

Sector: Steel | Meeting Type: Postal Ballot

e-Voting Platform: [Karvy](#)

e-Voting Period: From 18th November, 2016 to 17th December, 2016

Cut-Off date to be eligible for voting: 4th November, 2016

Notice: [Click here](#) | Annual Report: [FY 2015-16](#)

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Company Phone: +91 22 4286 1000 | Company Fax: +91 22 4286 3000

Company Registered Office: JSW Centre Bandra (East) Bandra Kurla Complex, Mumbai, Maharashtra - 400 051

REPORT SNAPSHOT

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Concern [#]	Pg.
1	Sub-division of Equity shares of the Company	O	FOR	-	4
2	Approval for Alteration of Memorandum of Association	O	FOR	-	4
3	Approval for Alteration of Article of Association	S	FOR	-	4
4	Approval for Related Party transaction	O	FOR	-	6

O - Ordinary Resolution; S - Special Resolution

RESEARCH ANALYST: PUSHPENDRA YADAV

#Concern Terminology

C - Compliance: The Company has not met statutory compliance requirements

F - Fairness: The Company has proposed steps which may lead to undue advantage of a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

G - Governance: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

T - Disclosures & Transparency: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.



COMPANY BACKGROUND

 TABLE 2 - MARKET DATA (As on 30th November, 2016)

Price (₹)	1,726.50	M Cap (₹ Cr.)	41,733.31	Shares*	24,17,22,044	PE Ratio"	NA
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Standalone Data ; Source: Capitaline

 * As on 30th September, 2016

"Due to loss in FY-16

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2016	2015	2014
Revenue	36,706.92	46,087.32	45,297.72
Other Income	310.19	466.77	331.05
Total Income	37,017.11	46,554.09	45,628.77
PBDT	-2,515.08	6,033.42	4,681.21
Net Profit	-3,498.28	2,166.48	1,334.51
EPS (₹)	-146.11	88.24	53.86
Dividend per share (₹)	7.50	11.00	11.00
Dividend Pay-Out (%)	-6.18	15.02	24.60
Face Value per share (₹)	10.00	10.00	10.00
OPM (%)	0.47	19.40	16.38
NPM (%)	-9.53	4.70	2.95

Dividend pay-out includes Dividend Distribution Tax. Source: Capitaline

TABLE 4: PEER COMPARISON (2016)

Tata Steel Ltd	
	38,210.34
	3,890.70
	42,101.04
	8,059.63
	4,900.95
	48.67
	8.00
	19.80
	10.00
	24.91
	12.83

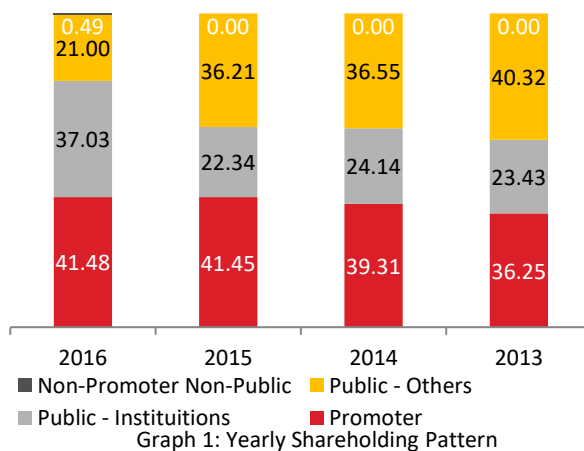
TABLE 5: MAJOR PUBLIC SHAREHOLDERS (SEP' 16)

JFE Steel International Europe B.V.	15%
Gagandeep Credit Capital Pvt Ltd	1.9%
Lotus Global Investments Ltd	1.73%
APMS Investment Fund Ltd	1.53%
The Indiaman Fund (Mauritius) Limited.	1.25%
Amrit Petroleums Pvt Limited	1.05%

TABLE 6: MAJOR PROMOTERS (SEP' 16)

JSW Holdings Limited	7.19%
Vividh Finvest Private Limited	5.74%
JSW Investments Private Limited	5.59%
Sahyog Holdings Private Limited	4.54%
JSW Power Trading Company Limited	2.9%
Virtuous Tradecorp Private Limited	2.5%

SHAREHOLDING PATTERN (%) (SEPTEMBER)


 DISCUSSION (1st Oct, 2015 – 30th Sept, 2016)

- No new equity shares issued.
- The Promoters' shareholding increased marginally due to market purchase of shares.
- Public shareholding increased from 22.34% to 37.03% and that of Public others decreased from 36.21% to 21.00% due to reclassification as per SEBI Circular.
- Non-institution shareholding increased marginally due shares held by ESOP trust.
- **Promoters have pledged/encumbered 43.69% of their shareholding.**

RESOLUTION ANALYSIS

RESOLUTION #1, 2 & 3: STOCK SPLIT, ALTERATION IN MOA & AOA

#1: Sub-division of Equity Shares of the Company.

#2: Alteration of Capital Clause of Memorandum of Association of the Company.

#3: Alteration of Articles of Association of the Company.

SES RECOMMENDATION

#1,2 & 3: No concern has been identified regarding the subdivision of equity shares, alteration of MOA and AOA. SES recommends that shareholders vote **FOR** the resolution.

SES RATIONALE

#1,2 & 3: Compliant with law, no concern identified.

SES ANALYSIS

COMPANY'S JUSTIFICATION

The Equity Shares of your Company are listed and actively traded on BSE Limited and the National Stock Exchange of India Limited.

The market price of the Equity Shares of your Company has witnessed a significant rise over a period of time. High price of the Equity Shares of the Company keeps the small retail investors away from trading in your Company's Equity Shares leading to reduction in the liquidity of the shares of your Company in the Stock Market.

In order to improve the liquidity of your Company's Equity Shares in the Stock Market with higher floating stock in absolute numbers and to encourage the participation of small investors by making the Equity Shares of the Company affordable, the Board of Directors of the Company, at its Meeting held on 27th October, 2016, considered and approved the sub-division of one Equity Share of the Company having a face value of ₹ 10 each into ten Equity Shares of face value of ₹ 1 each subject to approval of the Members and any other statutory and regulatory approvals, as applicable. The Record Date for the aforesaid sub-division of the Equity Shares will be fixed after approval of the Members is obtained.

The Authorised Share Capital of the Company is ₹ 90,15,00,00,000 (Rupees Nine Thousand Fifteen Crores only) consisting of 6,01,50,00,000 (Six Hundred One Crore and Fifty Lakhs only) equity shares of ₹ 10 (Rupees Ten Only) each and 300,00,00,000 (Three Hundred Crores) preference shares of ₹ 10 (Rupees Ten only) each. The sub-division of equity shares proposed under item No.1 of this Notice would require consequential amendments to the existing Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company as set out in Item Nos. 2 and 3 of the Notice respectively.

Clause 5 of the Memorandum of Association of the Company relating to Capital be substituted by the following Clause:

V. "The Authorised Share Capital of the Company is ₹ 90,15,00,00,000 (Rupees Nine Thousand Fifteen crores only) consisting of 60,15,00,00,000 (Six Thousand Fifteen crores only) equity shares of Re. 1/- (Rupee One Only) each and 300,00,00,000 (Three Hundred crores) preference shares of ₹. 10/- (Rupees Ten only) each, with power to increase or reduce its Share Capital from time to time and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Companies Act and the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges, conditions or restrictions in such manner as may be for the time being provided by the Articles of Association of the Company."



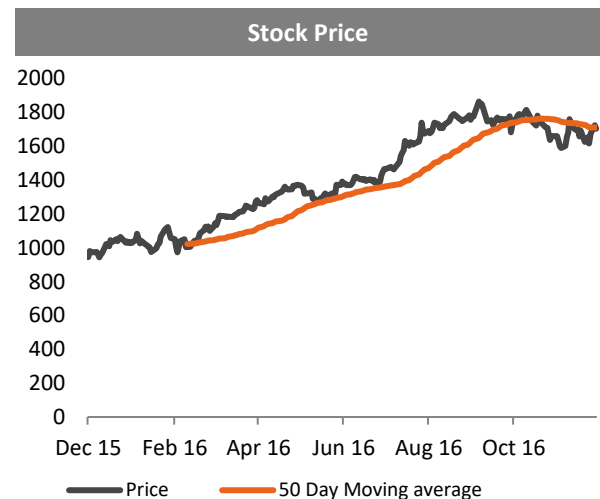
Article 3 of the Articles of Association of the Company relating to Capital be substituted by the following Clause:

"The Authorised Share Capital of the Company is ₹ 90,15,00,00,000 (Rupees Nine Thousand Fifteen crores only) consisting of 60,15,00,00,000 (Six Thousand Fifteen crores only) equity shares of Re. 1/- (Rupee One Only) each and 300,00,00,000 (Three Hundred crores) preference shares of ₹ 10 (Rupees Ten only) each, with power to increase or reduce its Share Capital from time to time and to divide the Shares in the Share Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions in accordance with the Act and the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be for the time being provided by the Articles of Association of the Company and to acquire, purchase, hold, resell any of its own fully/partly paid equity Shares and/or preference Shares, whether redeemable or not and to make any payment out of Share Capital or out of the funds at its disposal, for and in. respect of such purchase, subject to the provisions of the Act in force from time to time."

TRENDS IN COMPANY'S STOCK PRICE

JSW Steel Ltd	
Current Price (₹)(30 th November, 2016)	₹ 1,726.50
52-week high	₹ 1,862.95
52-week low	₹ 942.70
Price appreciation in last one year	45.01%

- The subdivision will not have any dilutive impact on investor shareholdings.
- The stock price is in a region where a stock split may improve the stock's liquidity



Graph 2: Trends in Closing Stock Price

SES view:

#1,2 & 3: No concern has been identified regarding the sub division of equity shares, alteration of Memorandum of Association and Article of Association.

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RESOLUTION 4: RELATED PARTY TRANSACTION

Approval for undertaking material related party transactions with JSW International Tradecorp Pte. Limited, Singapore.

SES RECOMMENDATION

The Company is seeking approval for entering into a material related party transactions with JSW International Tradecorp Pte. Limited Singapore, a promoter group Company, for procurement of iron ore, coking coal, coke and other raw materials. No concern has been identified regarding the approval. The Company has made adequate disclosure. Therefore, SES recommends that shareholders vote **FOR** the resolution.

SES RATIONALE

Compliant with law, no concern identified.

SES ANALYSIS

PROPOSED RELATED PARTY TRANSACTIONS

Disclosures	Details of disclosure
Name of the Related Party	JSW International Tradecorp Pte. Limited, Singapore, (JSWITPL)
Relationship with the Company	Promoter Group Company
Consideration for Transaction	USD 7,480 Million
Ordinary Course of business	Yes
Arm's length	Yes
Nature of Transaction	Purchase
Audit Committee Approval	Disclosed

DETAILS OF TRANSACTION WITH JSWITPL IN THE PAST

During FY 2014-15 and 2015-16, the Company purchased goods etc. from JSW International Tradecorp Pte. Limited, (JSWITPL) for ₹ 3,491.44 crores and 3,480.42 crores respectively.

PURPOSE OF THE RESOLUTION (AS STATED BY THE COMPANY)

The Company has completed the expansion projects at its Vijayanagar and Dolvi works in the last quarter of FY 2015-16 and the installed capacity of the Company increased to 18 MTPA. The Company requires iron ore, coking coal, coke and other raw materials for manufacture of steel products at all its three plant locations i.e., Vijayanagar, Dolvi and Salem. The Company sources its iron ore requirements from different regions in India and resorts to imports whenever needed to ensure optimum sourcing. The Company also imports the requirement of coal and other raw materials viz coking coal, thermal coal, coke and fluxes. The increase in capacity has also led to increase in the volume of imports of these raw materials. The Company imports approximately 21 million tons of iron ore, coke, coking coal and other raw materials per annum.

Considering the huge requirement of imports of raw materials, to bring in efficiency of time and costs, JSW group has set up a dedicated team to oversee the procurement of the coal requirements of the group under JSW International Tradecorp Pte. Limited, Singapore, (JSWITPL) which is domiciled in Singapore. This arrangement enables the business verticals to reap the benefits of consolidated procurement of raw materials by JSWITPL which will be able to negotiate better deals on consolidated volumes, develop better understanding of the coal and iron ore markets, besides reducing the overhead and financing costs.

Accordingly, the Company has entered into an agreement with JSWITPL, a promoter group Company, for procurement of iron ore, coking coal, coke and other raw materials. The aforesaid arrangement is expected to benefit of Company in the following manner:



1. Better planning and efficiency.
2. Reduced overheads
3. Lower financing costs
4. Lower transaction costs

Owing to the sharp increase in the price of coking coal and coke since the beginning of August 2016, the Company intends to increase the raw materials procurement from JSWITPL to USD 1,180 Million in FY 2016-17. Considering the increase in commodity prices, increase in production volumes and the strategy to increase the imports from JSWITPL, it is expected that the transaction with JSWITPL would be approximately USD 6,300 Million for the two years during FY 2017-18 and FY 2018-19.

RELATED DIRECTORS/ KMPS

- JSWITPL is a wholly owned subsidiary of Reynold Traders Private Limited (RTPL), a promoter group Company.

-Mrs. Sangita Jindal, wife of Mr. Sajjan Jindal (Promoter and Chairman and Managing Director of the Company), holds 31,97,500 shares representing 99.92% of the total Equity Share capital of RTPL, while Ms. Tarini Jindal, daughter of Mr. Sajjan Jindal holds the balance 2,500 shares representing 0.08% of the total Equity Share capital of RTPL.

SES VIEWS

The Company is seeking approval for undertaking material Related Party Transaction with JSW International Tradecorp Pte. Limited, Singapore, (JSWITPL) a promoter group Company, for procurement of iron ore, coking coal, coke and other raw materials. The Company has stated that the transactions proposed are approved by the Audit Committee of the Company. Further, the transactions proposed are at arms' length and in the ordinary course of business.

The Company has made adequate disclosures. No concern has been identified regarding the resolution.

DISCLAIMER**Sources**

Only publicly available data has been used while making the report. Our data sources include: BSE, NSE, SEBI, MCA, Capitaline, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The analysts involved in development of this report certify that no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

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Company Information

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