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**JSW Steel Ltd.**  
**Presentation to Analysts**  
**and Investors**  
**Q3, FY 2007**

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- **Steel Scenario Outlook**
  - **Performance Highlights – Q3, FY 07**
  - **Expansion projects status**
  - **Key Developments**
  - **Way forward**



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# Steel Scenario

# 2006 - Highlights

- **Global crude steel production crosses 1.2 bn**
  - Growth in demand in Asia, Middle East, Europe brought the balance in demand & supply at macro level
- **Surge in consolidations & tie-ups**
  - Creation of the Arcelor-Mittal with 110 mtpa capacity
  - Co-operation agreement amongst Nippon Steel, POSCO, Kobe Steel, Sumitomo & Usinimas
  - Takeover of Oregon Steel (US) by Evraz
- **Emergence of China as the largest exporter with over 45 mn tons** (besides being the biggest producer & consumer) exerted pressure on steel prices in the later half of 2006

# 2007 - Outlook

- **Developing economies expected to drive demand growth**
  - Lead by growing industrialisation and infrastructure creation
- **US economy shows signs of pick-up**
  - Inventory adjustments to provide initial boost
- **Europe & Japan continue to show moderate growth**
- **China's steel export to slow down**
- **Global economy expected to grow by 4-5%**

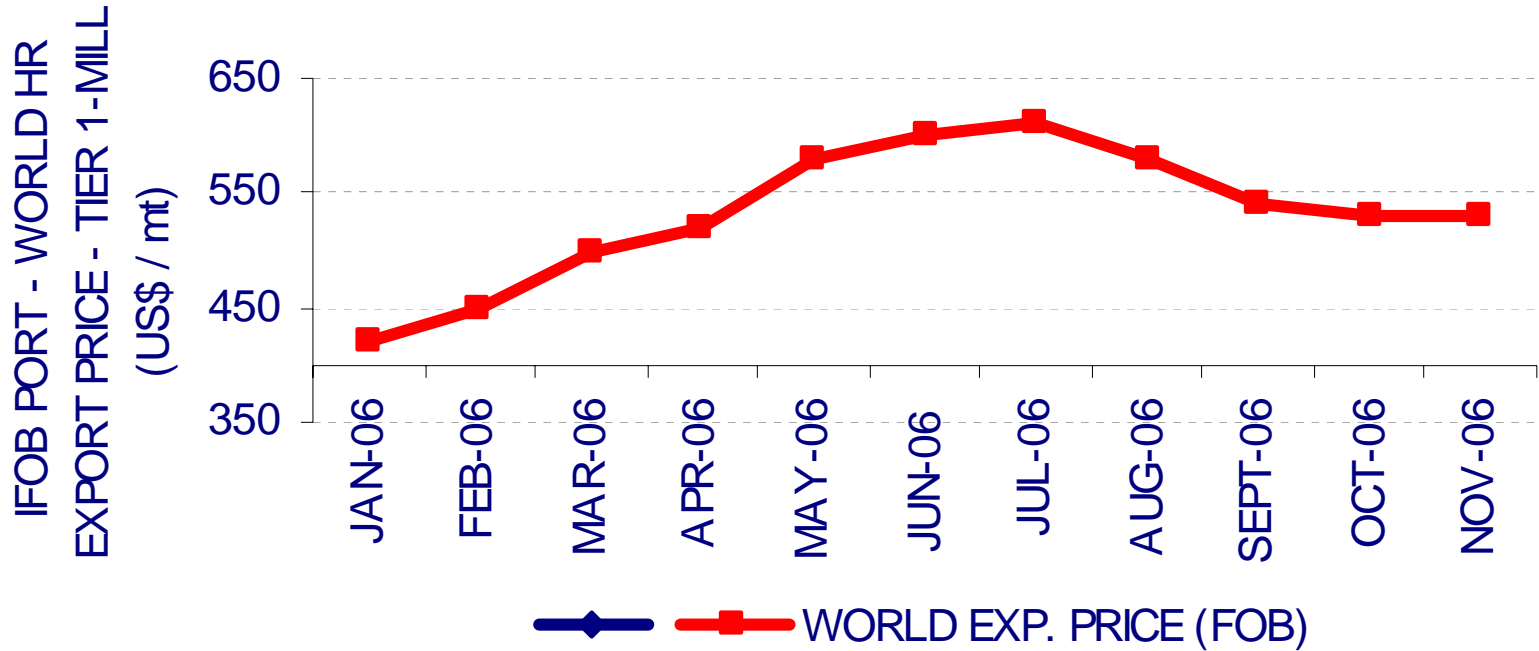


**Crude Steel production growth at 4.9% - WSD**  
**Global steel consumption growth at 5.2% - IISI**

# China Developments

- **Thrust on closure of inefficient capacities**
  - 26 units closed down in northern province of Hebei – 3.7 mtpa capacity
  - NDRC targets reduction in capacity by 100 mt over 5 years
- **Consolidation gathers pace**
  - Anshan & Benxi merged to form Anban with combined capacity of 20 mtpa
  - CISA expects top 10 companies to account for 50% of total capacity by 2010
- **Drive to slow down exports through reduction of tax rebates and imposition of tariffs on exports.**

# Price Movement - HRC



# Raw Materials

- **Negotiations for certain long term contracts concluded**
  - Iron Ore prices up by 9.5%
  - Drop in coking coal prices by 15.5% to 18%

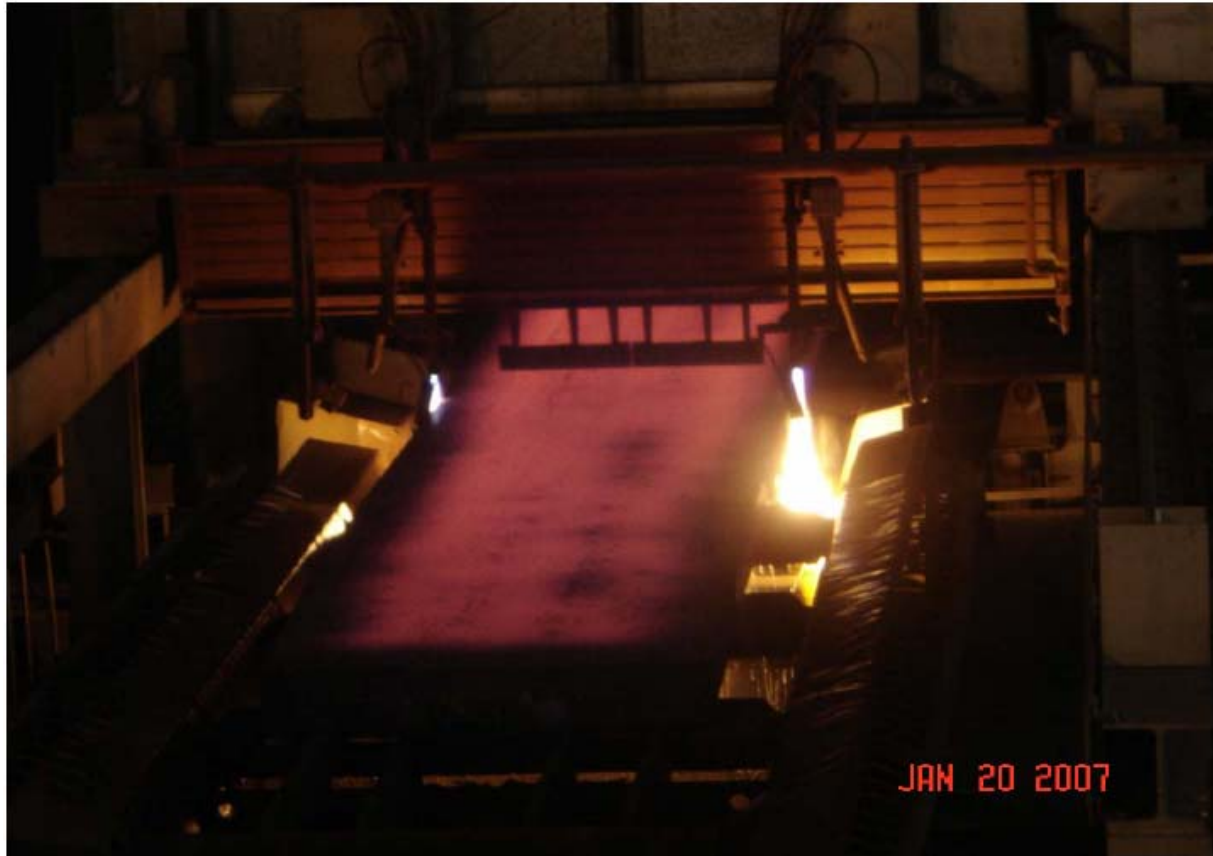


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# Performance highlights...

# 1.3 mtpa – Caster Shop

## Slab Caster in Operation

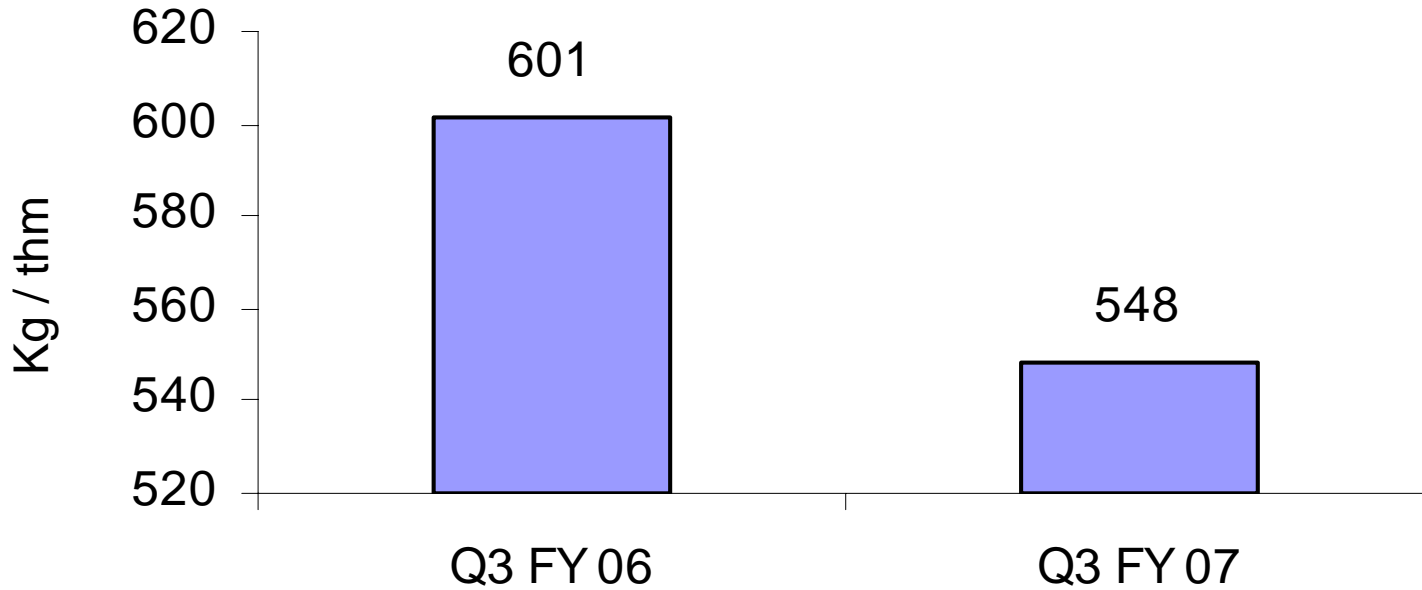


**1.3 mtpa integrated Slab making capacity  
successfully commissioned**

# Key highlights – Q3'06 v/s Q3'07

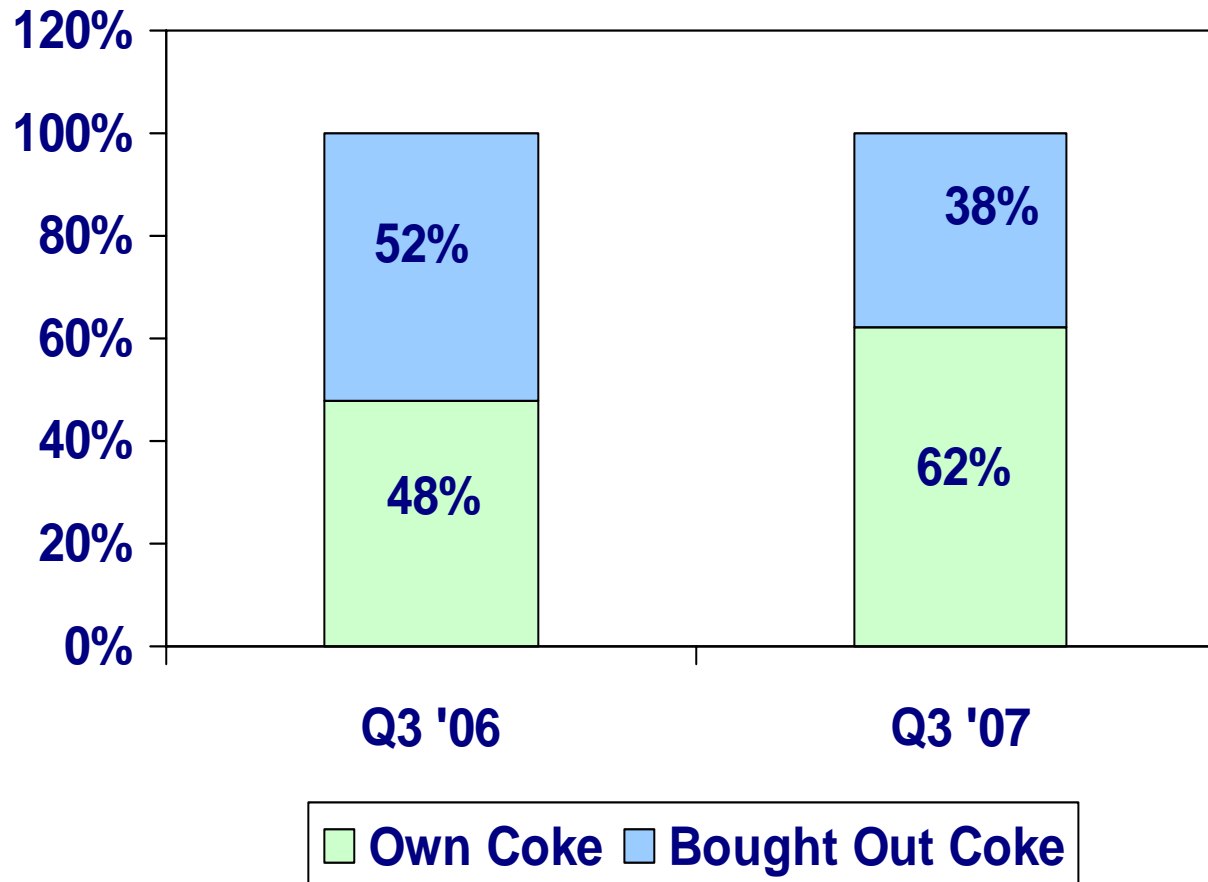
• Crude Steel production	↑	28%
• Saleable steel sold	↑	33%
• Net Sales	↑	51%
• EBIDTA	↑	83%
• EBIDTA margin	↑	21%
• Net Profit	↑	160%
• Diluted EPS	↑	168%

# Fuel Rate



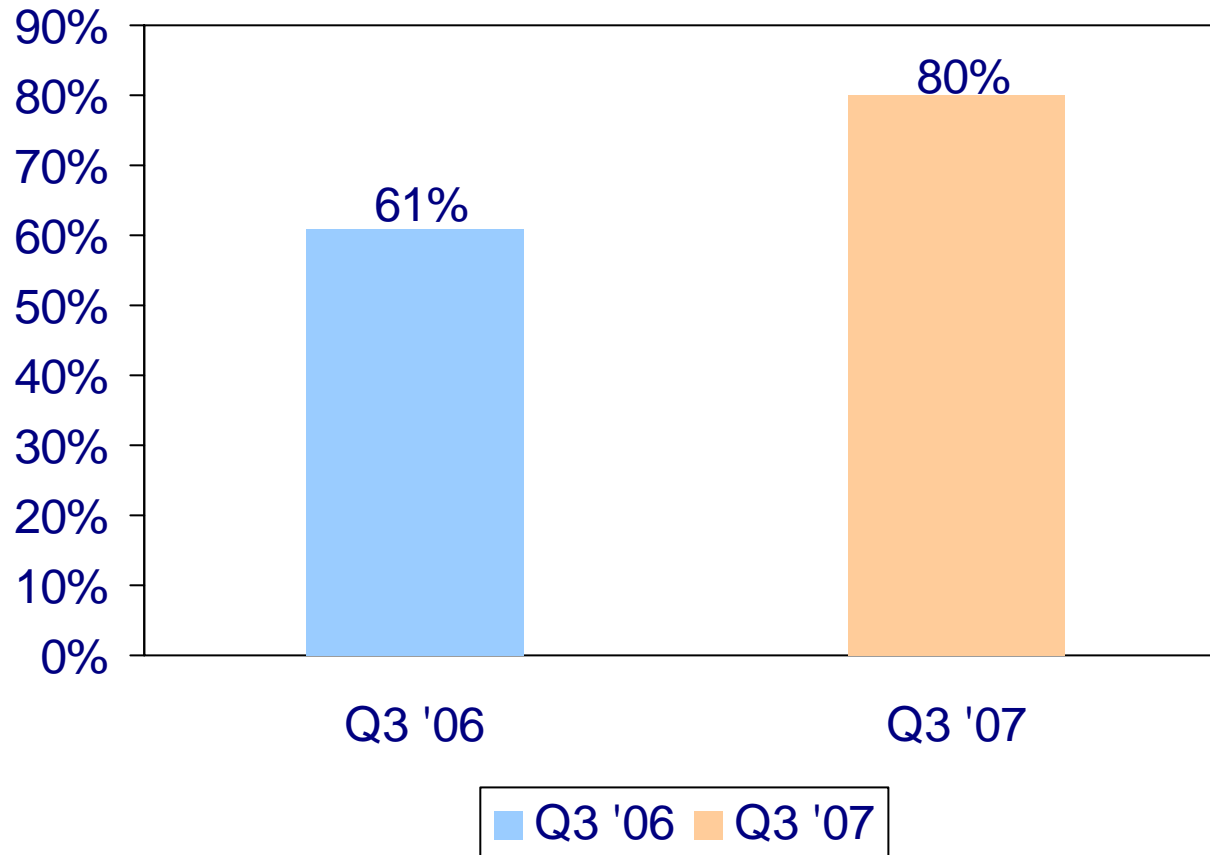
**Fuel Rate drop by 8.8%**

# Coke Consumption



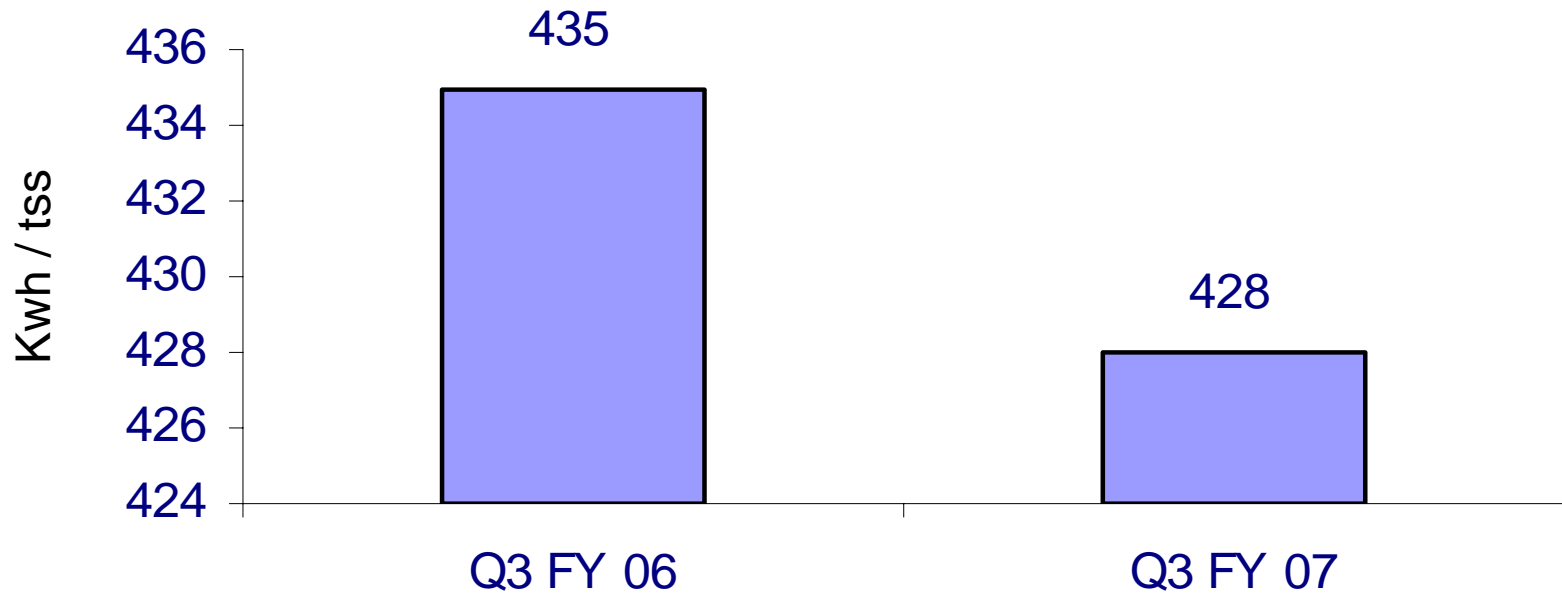
Own Coke consumption  29%

# Captive Power Consumption



**Captive Power consumption**  **31%**

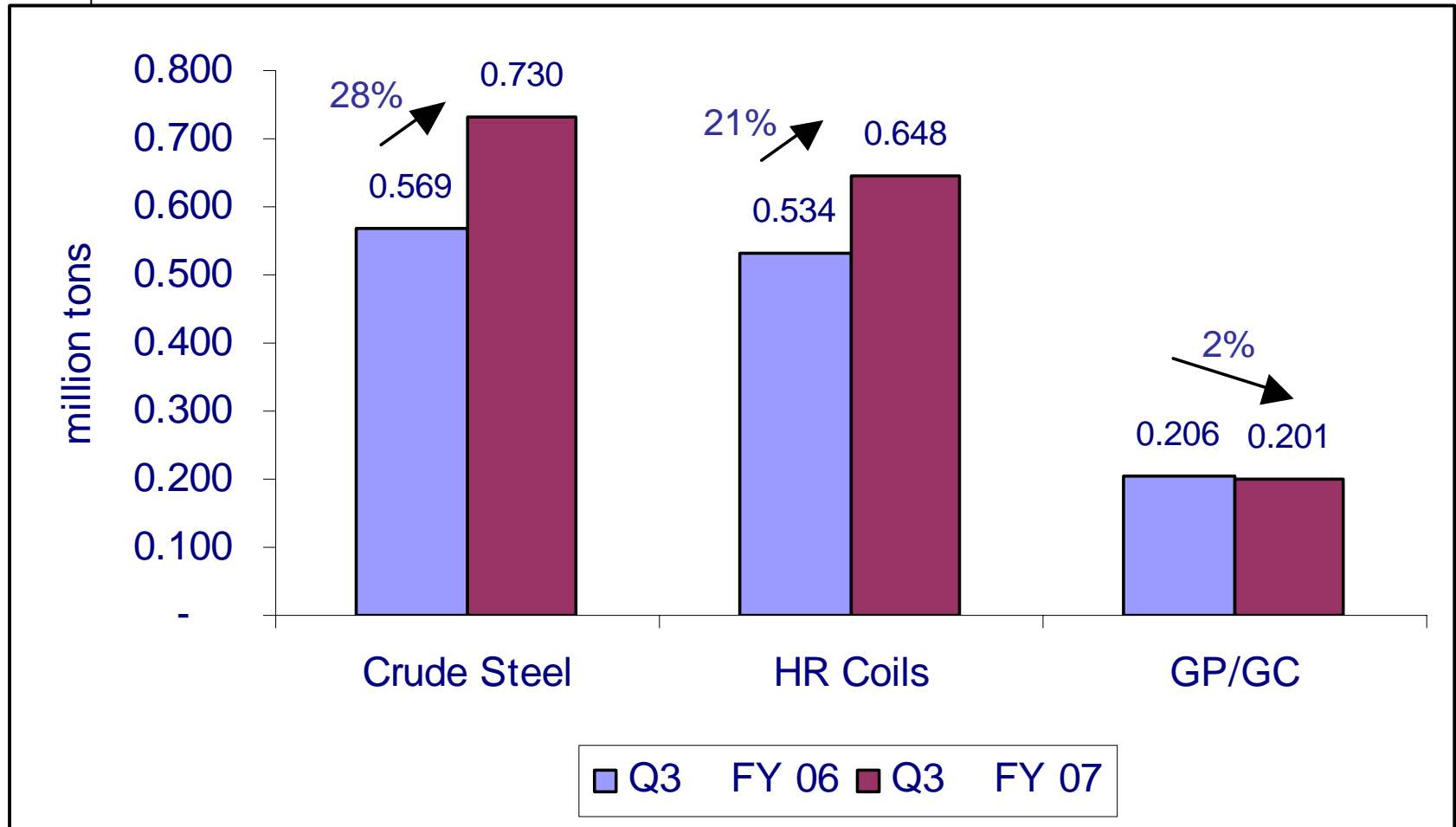
# Power Consumption



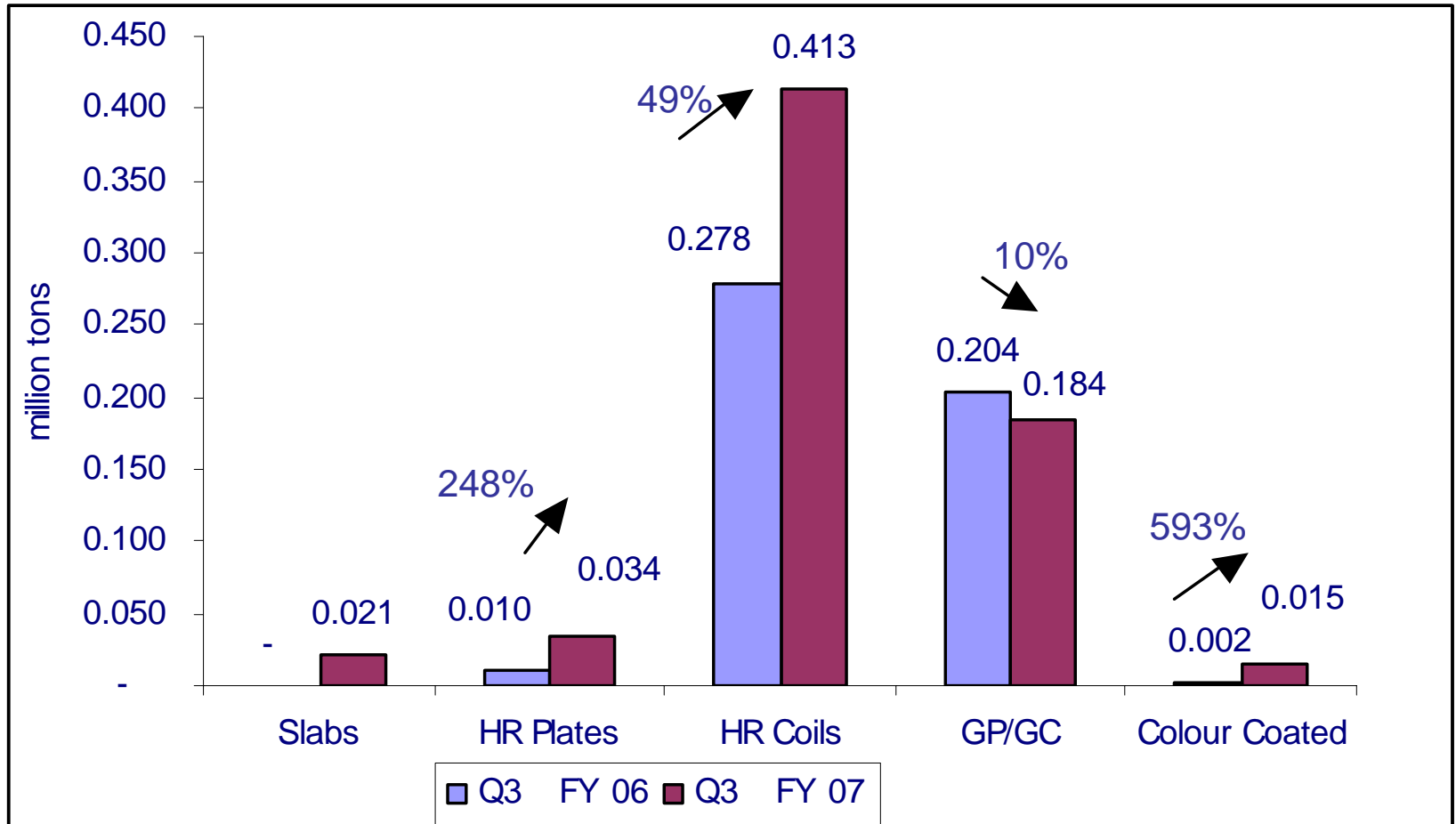
Note : Excludes power for oxygen plant

**Reduction by 1.6%**

# Production - Q3'06 v/s Q3'07



# Sales - Q3'06 v/s Q3'07



# Financial Highlights

- Debt repayment
  - Rs. 250 Crore in Q3'07 ( Rs.659 crores upto Dec'06)
- Debt equity ratio at 0.81 :1

# Financials - Q3'06 v/s Q3'07

	Q3'06	Q3'07	Growth
Gross Sales	1,647.37	2,512.82	53%
Net Sales	1,522.45	2,301.50	51%
EBIDTA	438.98	803.08	83%
<b>EBIDTA margin</b>	<b>29%</b>	<b>35%</b>	<b>21%</b>
Interest	90.44	110.67	22%
Depreciation	117.73	156.45	33%
Profit before tax	230.81	535.96	132%
<b>Profit after tax</b>	<b>139.20</b>	<b>362.15</b>	<b>160%</b>
EPS (in Rs.)			
- Basic	8.93	22.56	153%
- Diluted	8.36	22.37	168%

# Financials – Key Ratios

Key Ratios	30.09.06	31.12.06
ROCE	20.33%	22.31%
ROE	24.55%	25.03%
Cash EPS (Rs.)	120	129
Book value per share (Rs.)	279	322
Market price per share (Rs.)	286	387
P/E ratio	4.91	5.33
EV / EBITDA	3.62	3.89

**\*Figures annualized wherever required**

**No. of outstanding shares taken on diluted basis**



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# Expansion Projects and Status...

# CRM Project

- Civil & Structural Work nearing completion
  - Equipment Foundation - 75 % complete
  - Structure Fabrication - 86 % complete
  - Structure Erection - 88 % complete
- Equipment Erection in full swing

# Cold Rolling Mill Complex



# Cold Rolling Mill Complex



# Cold Rolling Mill Complex



# 2.8 mtpa Expansion Project

- 15 % of the total estimated Civil Works completed
- 6 % of the Structural Fabrication Works completed
- Structural Erection work commenced
- Critical long delivery orders placed

# Sinter Plant – 2 Control Room



# Sinter Plant – Main Building



SINTER PLANT – MAIN BLDG.

# Sinter Plant – 2 Chimney



SINTER PLANT – 2 CHIMNEY

# Blast Furnace – 3 Stove - 1



# Blast Furnace - 3



# BOF CCP – 2



BOF CCP – 2 AREIAL VIEW

# BOF CCP- 2 Fabrication Yard



BOF CCP – 2 FABRICATION YARD

# New Hot Strip Mill – 2 mtpa

- LOI issued to reputed suppliers for critical equipment
  - Hot Strip Mill - Marubeni Corporation
  - Electricals - Toshiba Mitsubishi Electric Industrial System Corpn
- Capacity – 2 mtpa (built-in features for expansion to 5 mtpa with marginal investment)
- Cost of Project – Rs. 2,000 crore (being appraised by SBI)
- Means of Financing

Particulars	Rs. crore	Status
Internal Accrual	800	
Debt		
ECB	550	Fully underwritten, mandated to SBI, ABN Amro, Citibank & Stanchart
RTL	650	Syndication by SBI
<b>Total Debt</b>	<b>1200</b>	Financial Closure expected by 31/03/07
<b>Total</b>	<b>2000</b>	

# Status of Projects

Project	Capacity (mtpa)	Expected Date of Completion	Cost (Rs. Crore)	Debt (Rs. Crore)
CRM	1.00	Q1, FY 08	1,000	600
2.8 mtpa	2.80	March '09	5,300	3,000
New HSM	2.00	Sep '09	2,000	1,200
BF-1 Upgradation	0.30	FY '08	150	-
HSM- Phase II	0.70	FY '08	75	-
Galvalume	-	31/03/08	109	} 125
CPP-30	30 MW	31/03/08	97	
<b>Total</b>			<b>8,731</b>	<b>4,925</b>



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# Key Developments

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- **Modification of Galvanising lines to Galvalume**
  - Key Features
    - 4 galvanising lines out of 6 to be modified.
    - Requires shutdown of the lines for approx. 90 days period.
  - Benefits
    - Galvalume offers improved physical & mechanical properties.
    - Reduction in cost of production
    - Reduced reliance on volatile raw material
    - Diversified product mix.
- **Setting up of 30 MW captive Power plant**
  - Reduction in power costs at Vasind & Tarapur Units
- **Faster payback period – 2 years**

# West Bengal Steel Project

- Development Agreement (DA) executed with Government of West Bengal - 11<sup>th</sup> January 2007
- Partners - JSW Group and West Bengal Industrial Development Corporation (WBIDC) and West Bengal Mineral Development and Trading Corporation Limited (WBMDTC).
- Total Capacity - 10 MTPA (Phase 1 – 3 MTPA)
- Total Investment (estimated) - Rs.35,000 crores (Phase 1 – Rs.10,000 crores)
- Period - 12 years (Phase 1 – 4 years)
- Location - Salboni, Midnapur District, West Bengal
- Land Area - 4800 acres (of which 4300 acres is Government vested land).

# Key Features - DA

- Incorporation of Special Purpose Vehicle in joint venture with WBIDC and WBMDTC with 89% held by JSW Group.
- Execution of Shareholders Agreement within 6 months.
- Commitment from Government of West Bengal to provide support, co-operation in land acquisition, coal linkage, water, infrastructure facilities, Power for construction, logistical linkage etc.
- Subject to financial closure and provision for raw material land & utilities linkage, JV company to set up a 10 MTPA steel project in phases over 12 years at an estimated cost of Rs.35,000 crores.
- Obligation on JV company to undertake Corporate Social Responsibility initiative.

# CDM project

- 100 MW power plant developed as part of Clean Development Mechanism (CDM) initiative in April 2005
- UNFCCC registered the CDM project on January 12, 2007
- Subject to monitoring & verification by an accredited verifier, the eligible Certified Emission Reductions (CERs) aggregates to 7.67 million during the period April 2005 to March 2015 as per registered PDD



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# Way Forward

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➤ Grow market share (maintain low specific investment cost)	<ul style="list-style-type: none"><li>• Crude Steel capacity 6.8 mtpa by March 2009.</li><li>• 10 mtpa at existing location by 2010.</li><li>• Evaluate opportunities for organic / inorganic growth.</li></ul>
➤ Reduce Cost	<ul style="list-style-type: none"><li>• Setting up captive Power plant - 30 MW</li><li>• Increase in captive Iron ore reserves</li><li>• Acquisition of Coal mine</li></ul>
➤ Improve realisation	<ul style="list-style-type: none"><li>• Setting up 1 mtpa CRM complex</li><li>• 1.5 mtpa long product facility</li><li>• 2 mtpa New Hot Strip Mill</li><li>• Establishment of galvalume facility</li></ul>
➤ Maintain healthy financial profile	<ul style="list-style-type: none"><li>• Maintain gearing below 1</li><li>• Strategic mix of foreign &amp; domestic debt</li><li>• Reduce interest cost</li></ul>

**Aim to create a world class facility to produce diverse quality products creating value to all stakeholders.**

Thank You