



Presentation to Analysts

Q1 2007

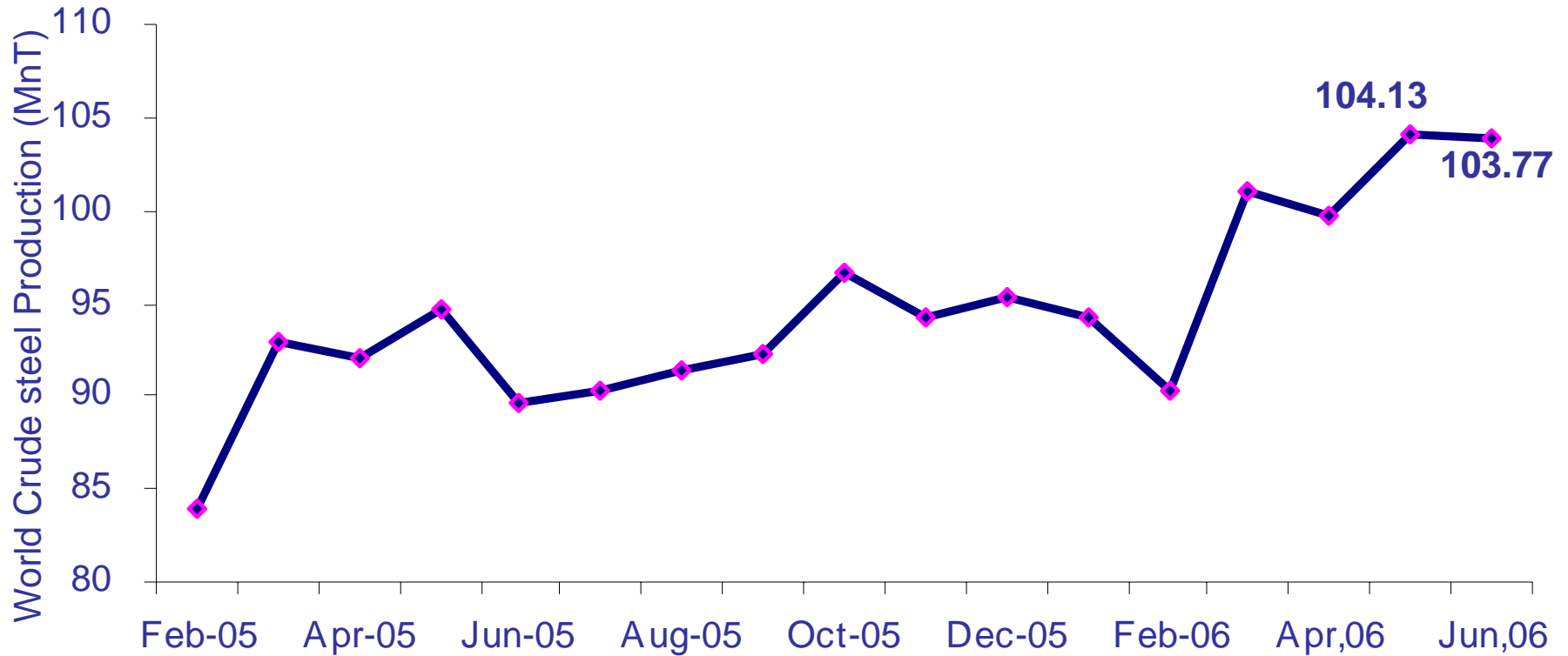
25th July 2006
Mumbai

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- Market Scenario
 - Operations
 - Expansion Projects Status
 - Financials
 - Strategies Followed

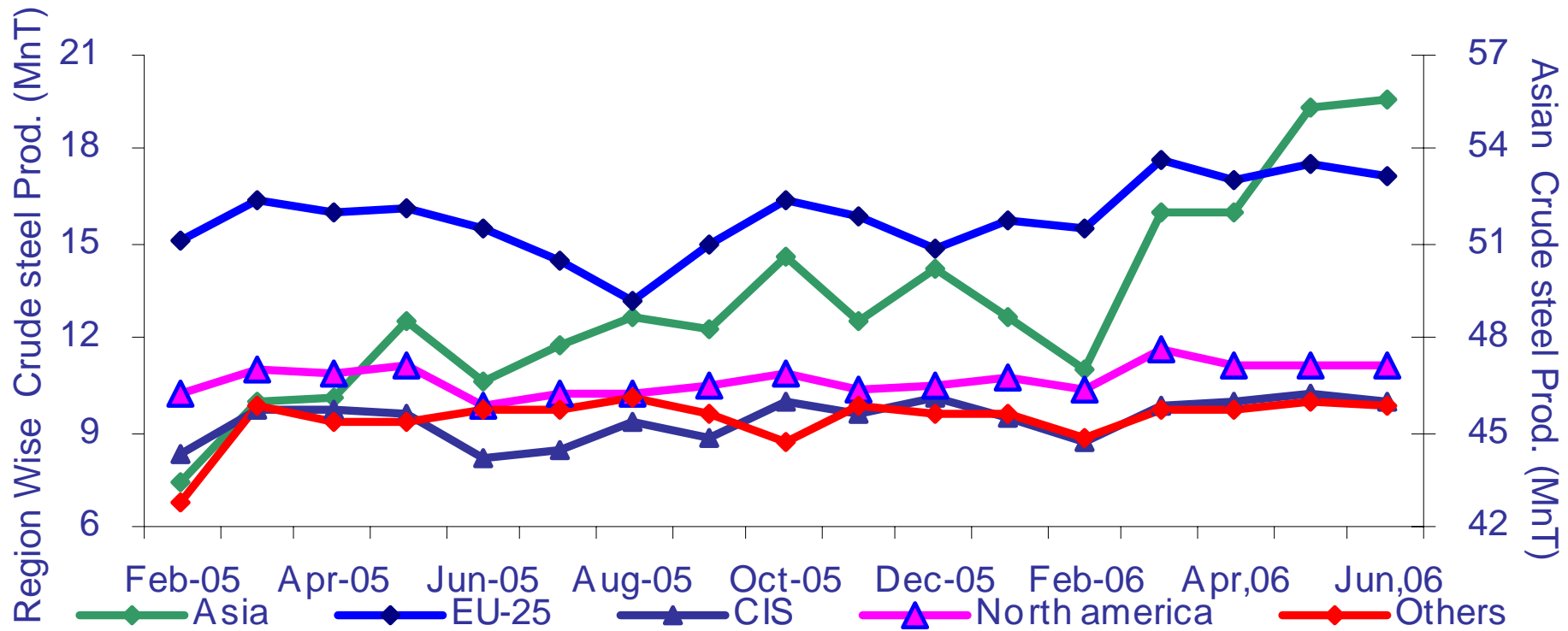


Market Scenario...

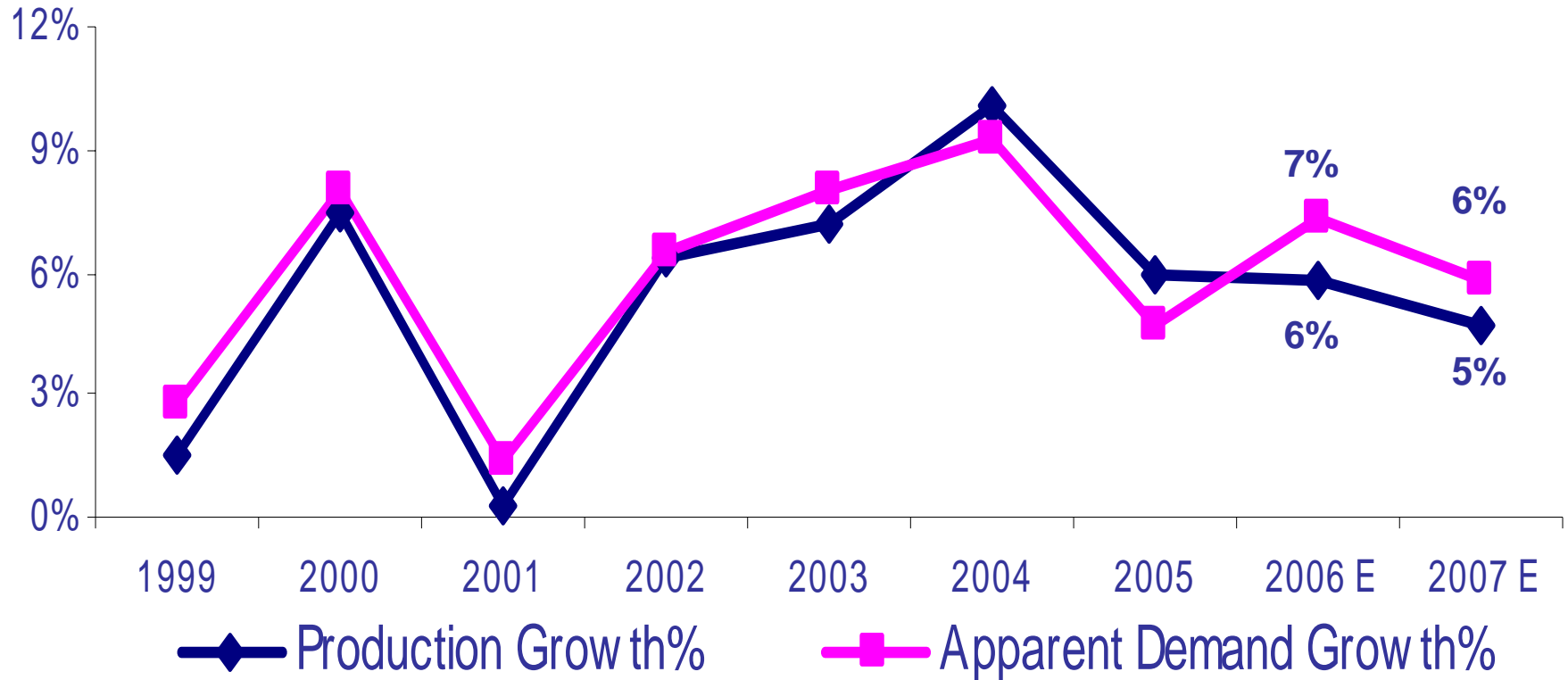
Global Production Data



Region Wise Production



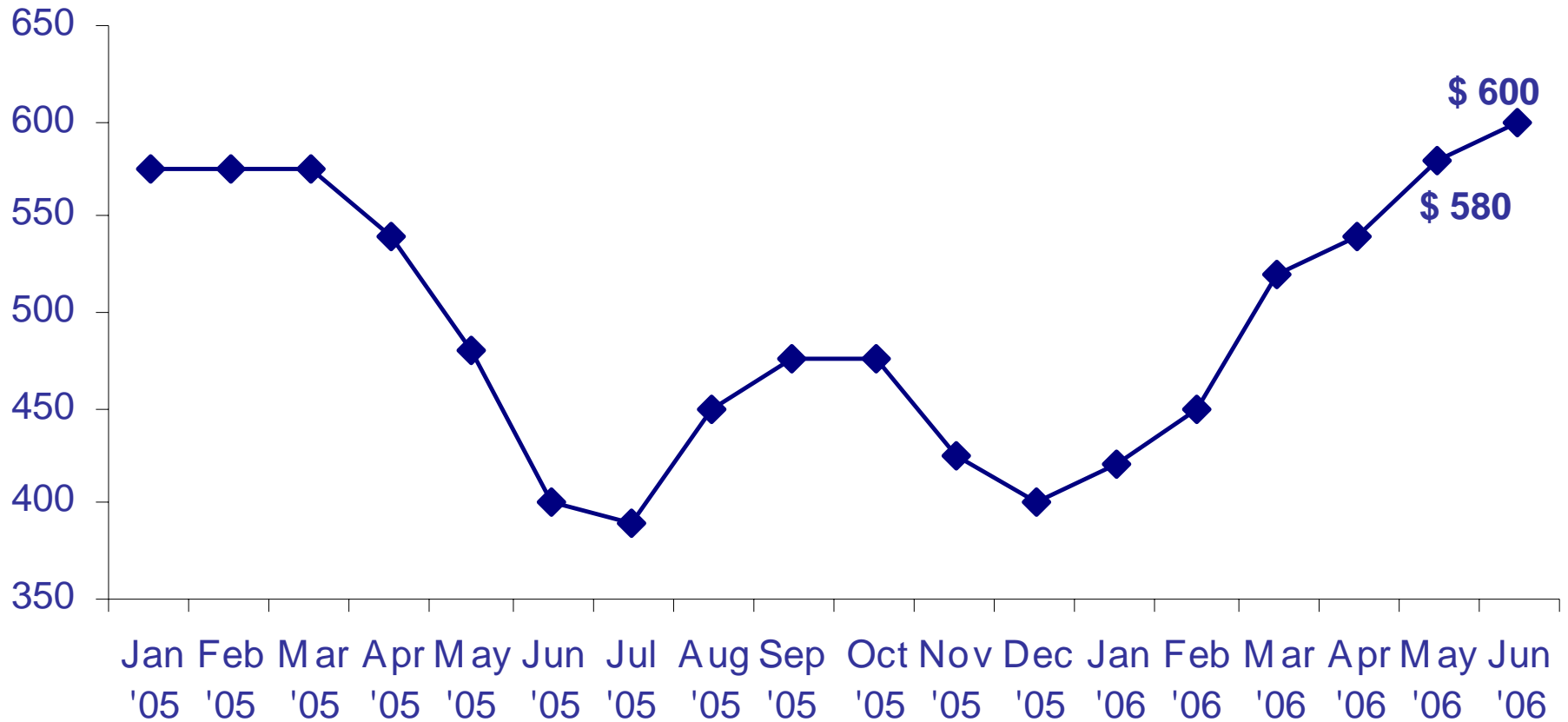
Global Production and Demand Growth



Demand growth to outgrow production growth

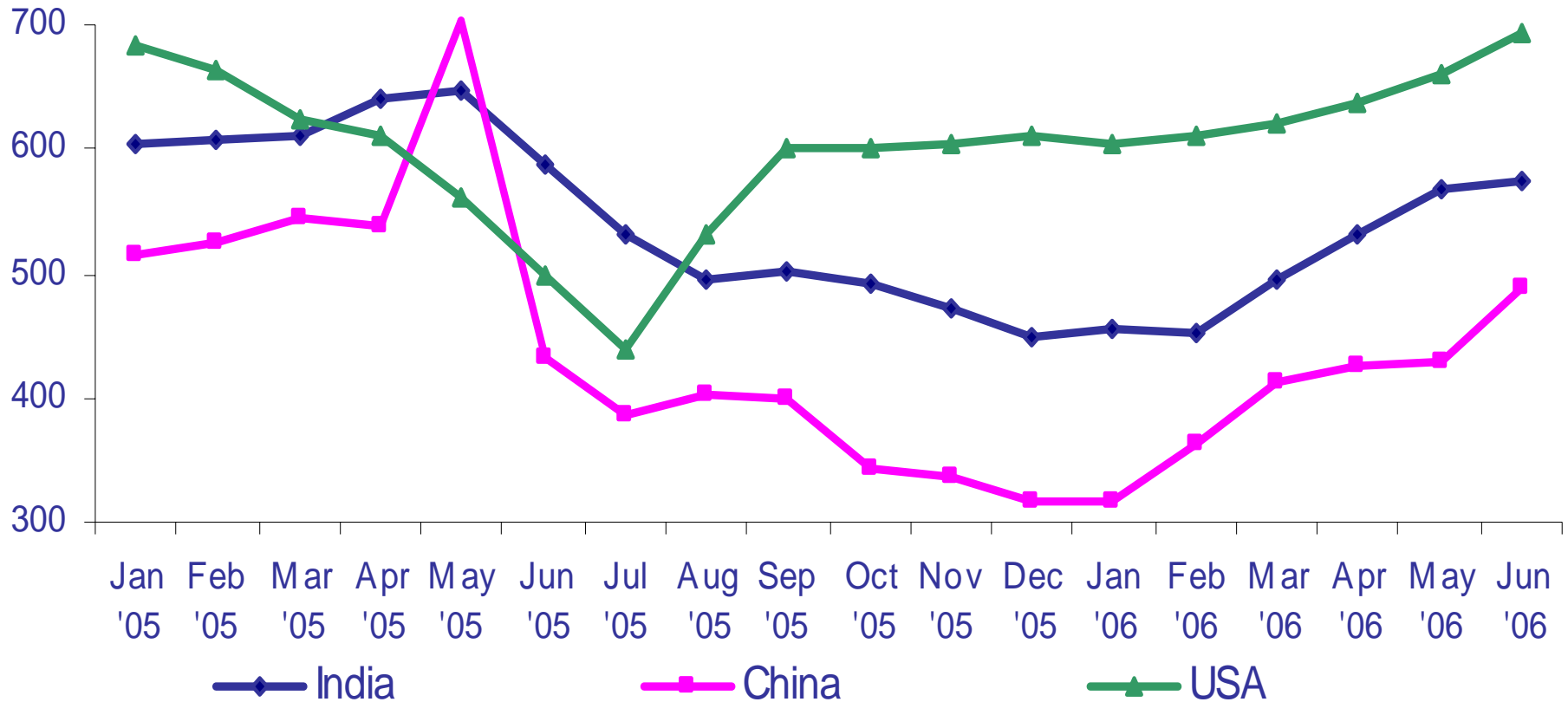
Price Behavior - World

World Export Prices Tier 1 Mill, \$ per ton of HRC

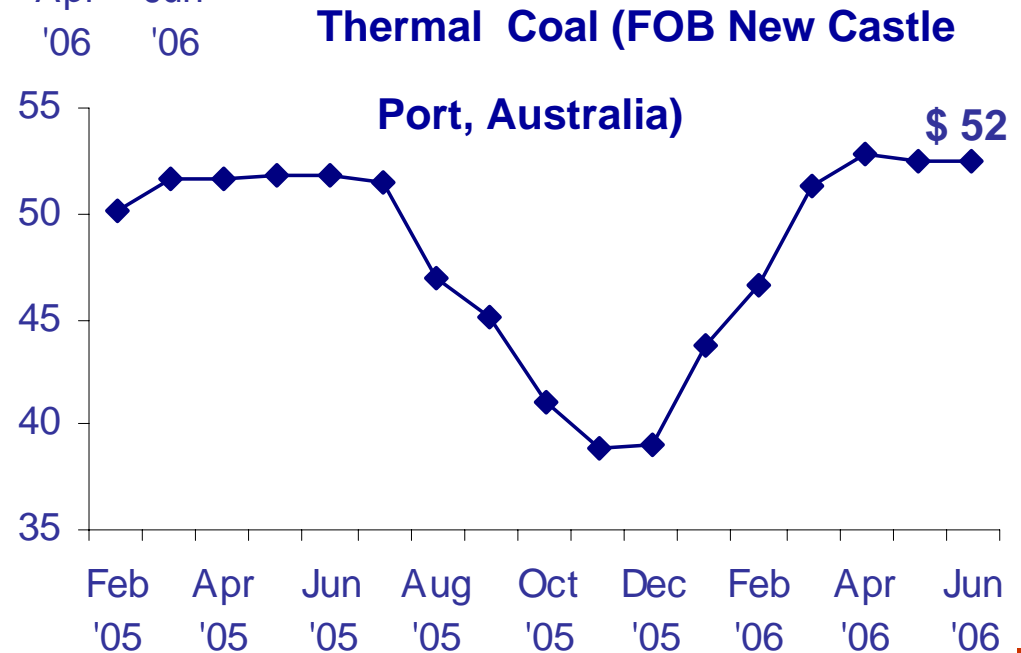
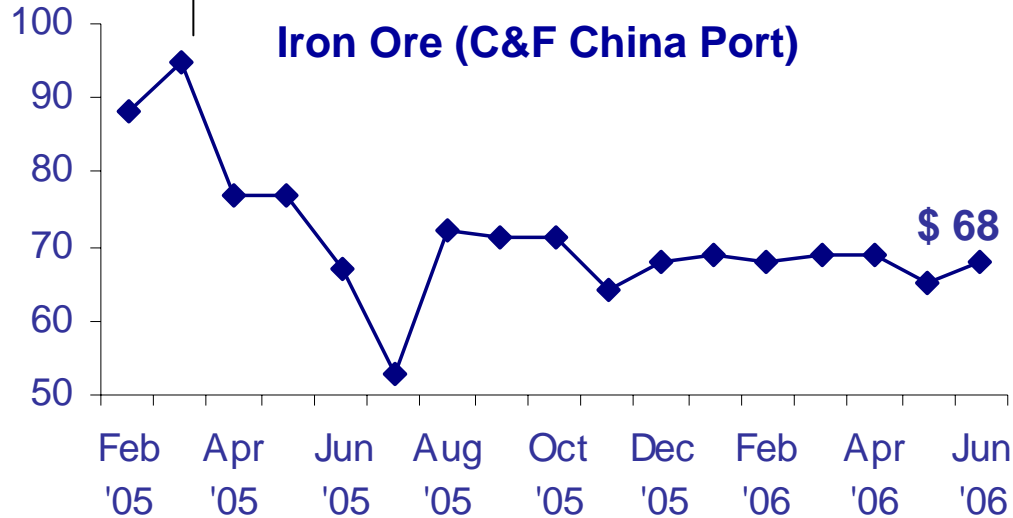


Price Behavior

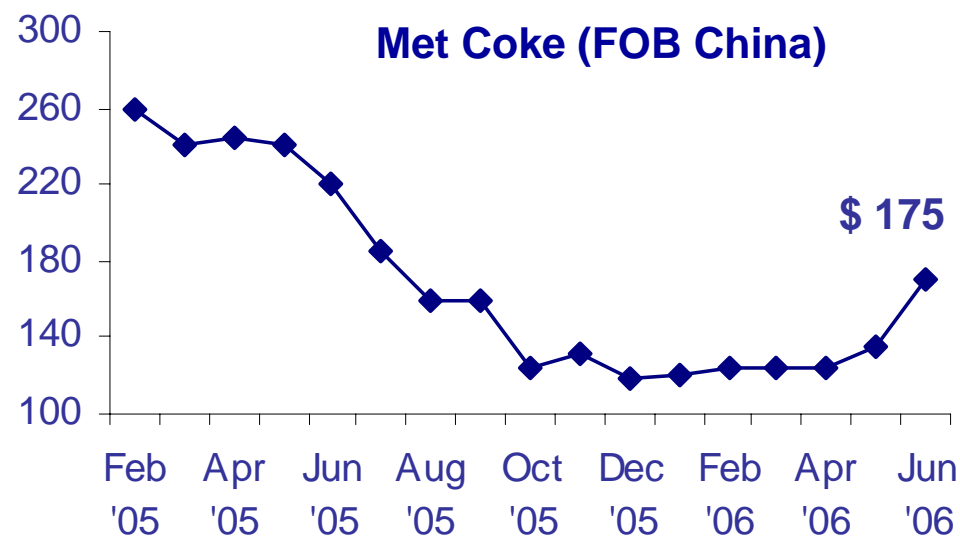
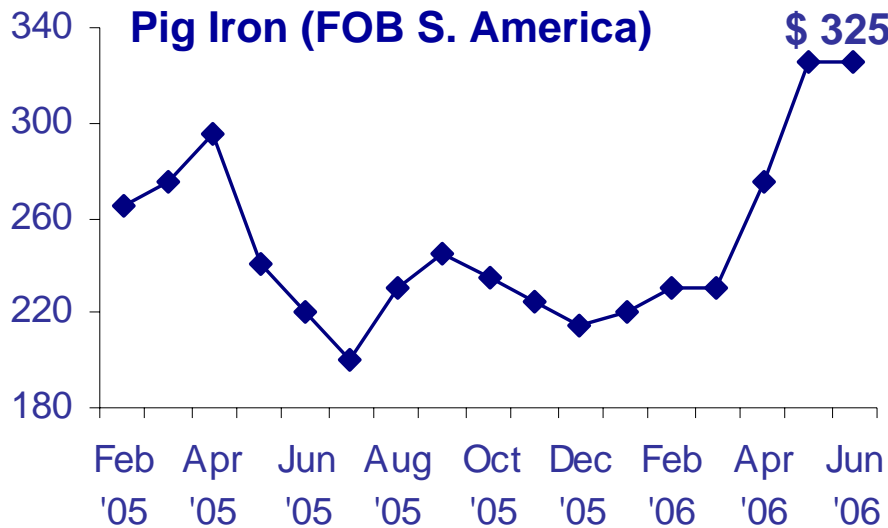
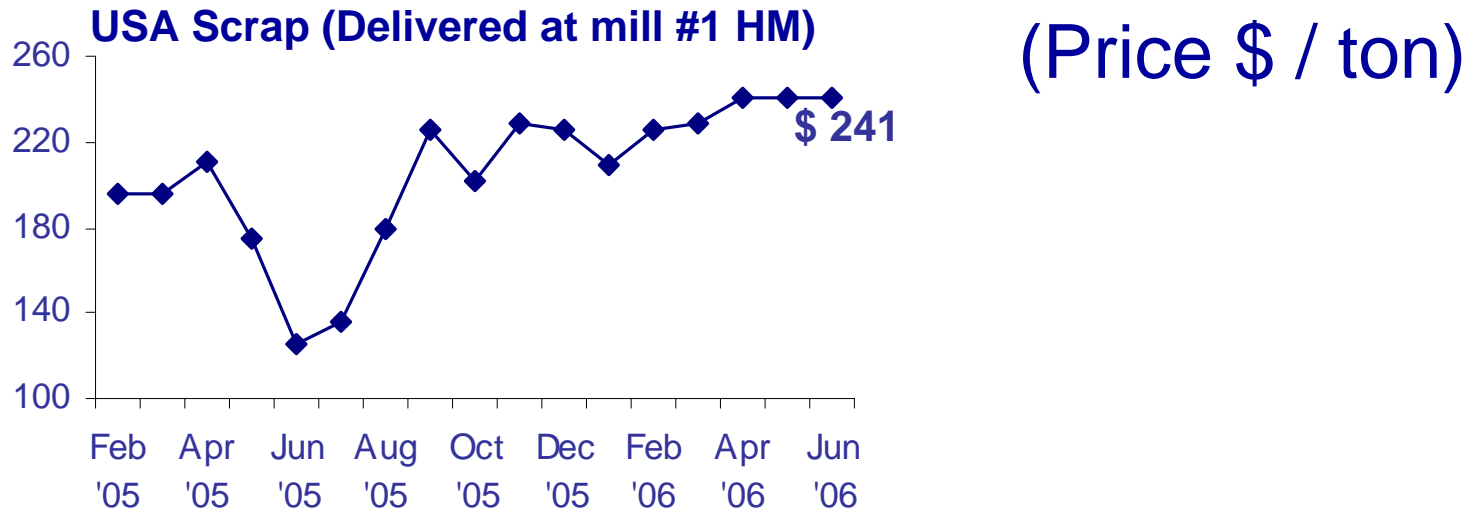
Home Market Price



Raw Material Prices



Raw Material Prices



Chinese Steel Policy - Rejoinder

- Phase out inefficient capacities:
 - Iron making – approx. 100 mtpa BF \leq 300 M³, before 2010
 - Steel making – approx. Converters \leq 20 MT per heat, by 2007
- Relocation of plant facilities near to port and review of product mix adjustment
- 2-3 steel conglomerates having 30mtpa capacity with a bunch of 10mtpa producer to control 50% capacity

Recent developments - China

- Capacities phased out till May 2006
 - 21 Blast Furnaces \leq 200 M³ – Total 3.5 mtpa
 - 12 Converters \leq 20 MT – Total 2.6 mtpa
- Electricity price hike due to increase in coal prices

Consolidation

- Arcelor Mittal Merger further intensifies the urge to merge
- Compel smaller players in the Industry to merge themselves to be on a level playing field



Operations...

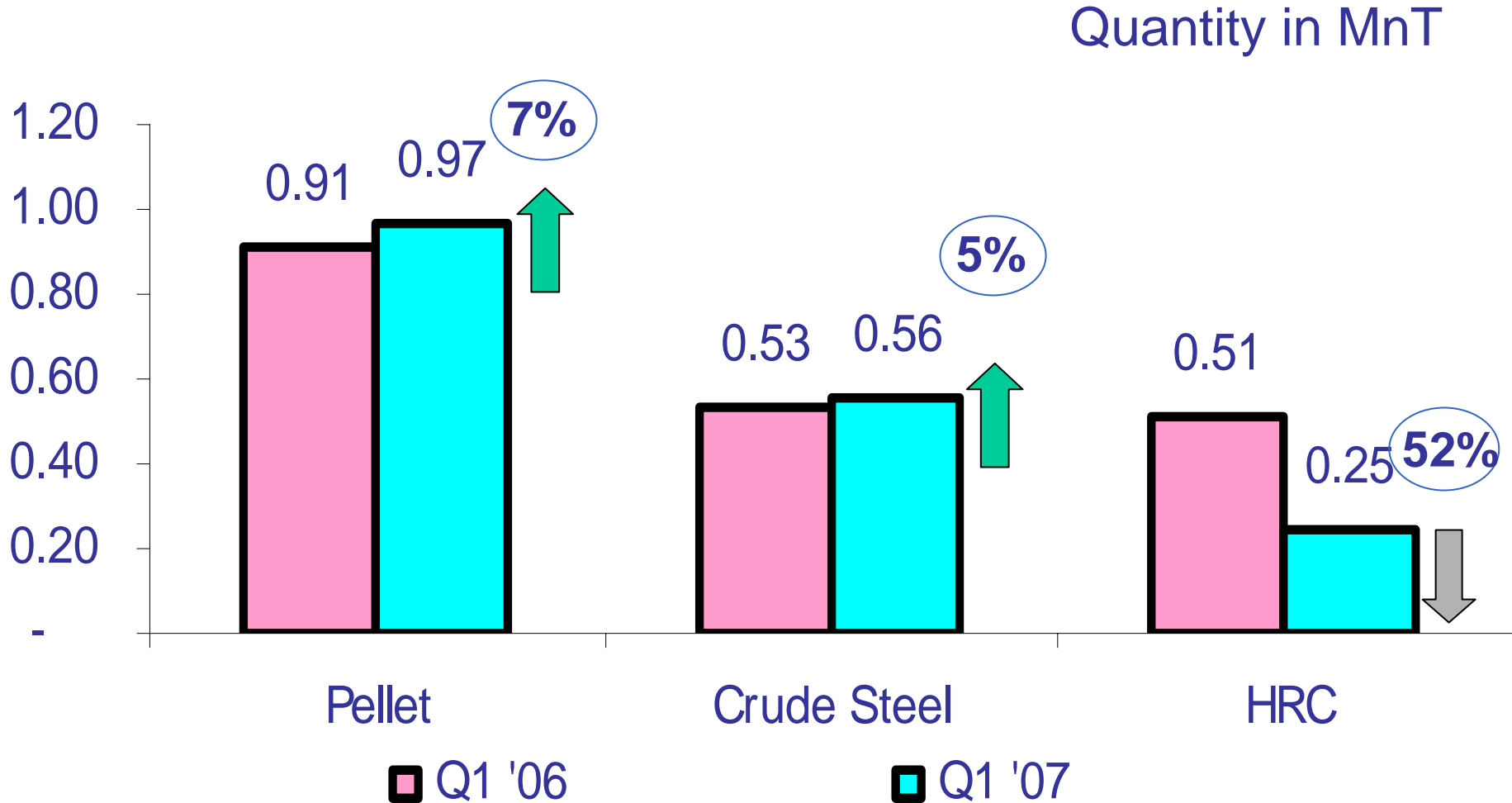
Operations: Highlights

- Volume growth : Q1 '07 over Q1 '06
 - 7% in Pellets
 - 5% in Crude steel
- Converter lining life achieves record break 13,771 heats
- Highest ever Slab Exports 0.207 mn ton
- Patent filed : Hot coke water quenching system adapted for moisture control in quenched coke
- Five copyrights registered

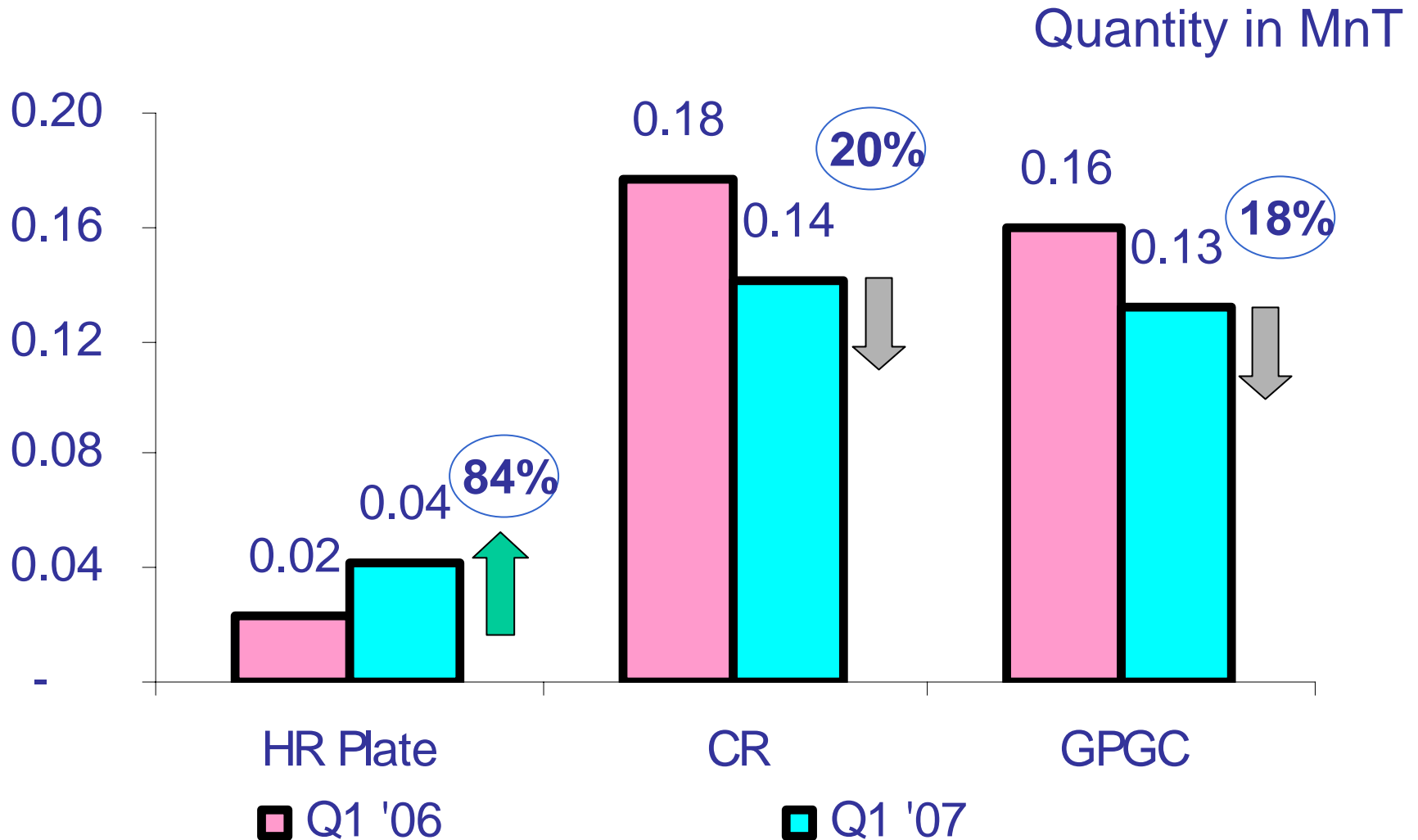
Operations: Cost Leadership Journey

- Lower coke consumption and higher fuel efficiency
- Improved yield in caster (98.65% to 98.8%)
- Blend of coal fines and soft coking coal with hard coking coal in coke generation
- Long term tie-up for calcium carbide with Jamipol commissioning its plant at Vijayanagar works
- Reduction in refractory management cost due to improved efficiency

* Operations: Production Q1 FY 07



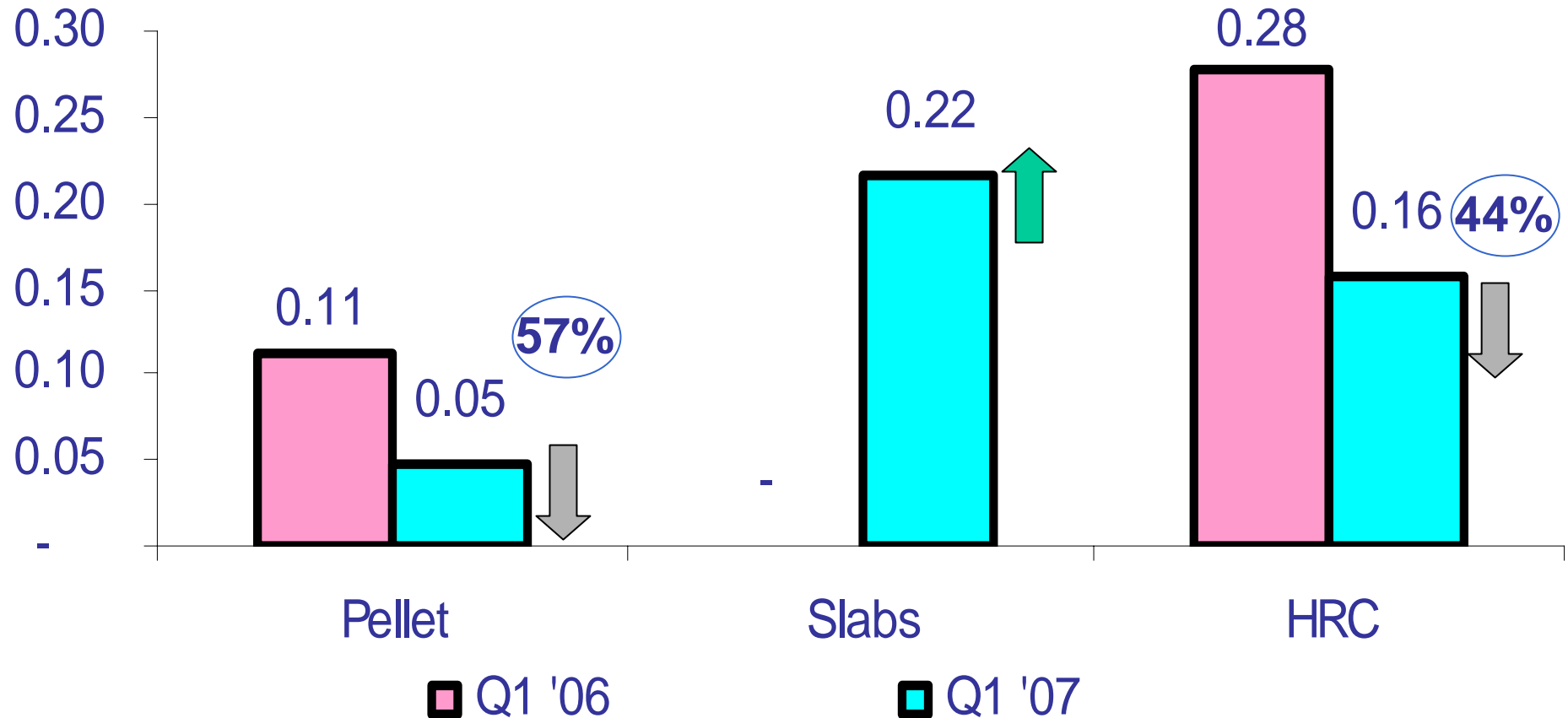
Operations: Production Q1 FY 07



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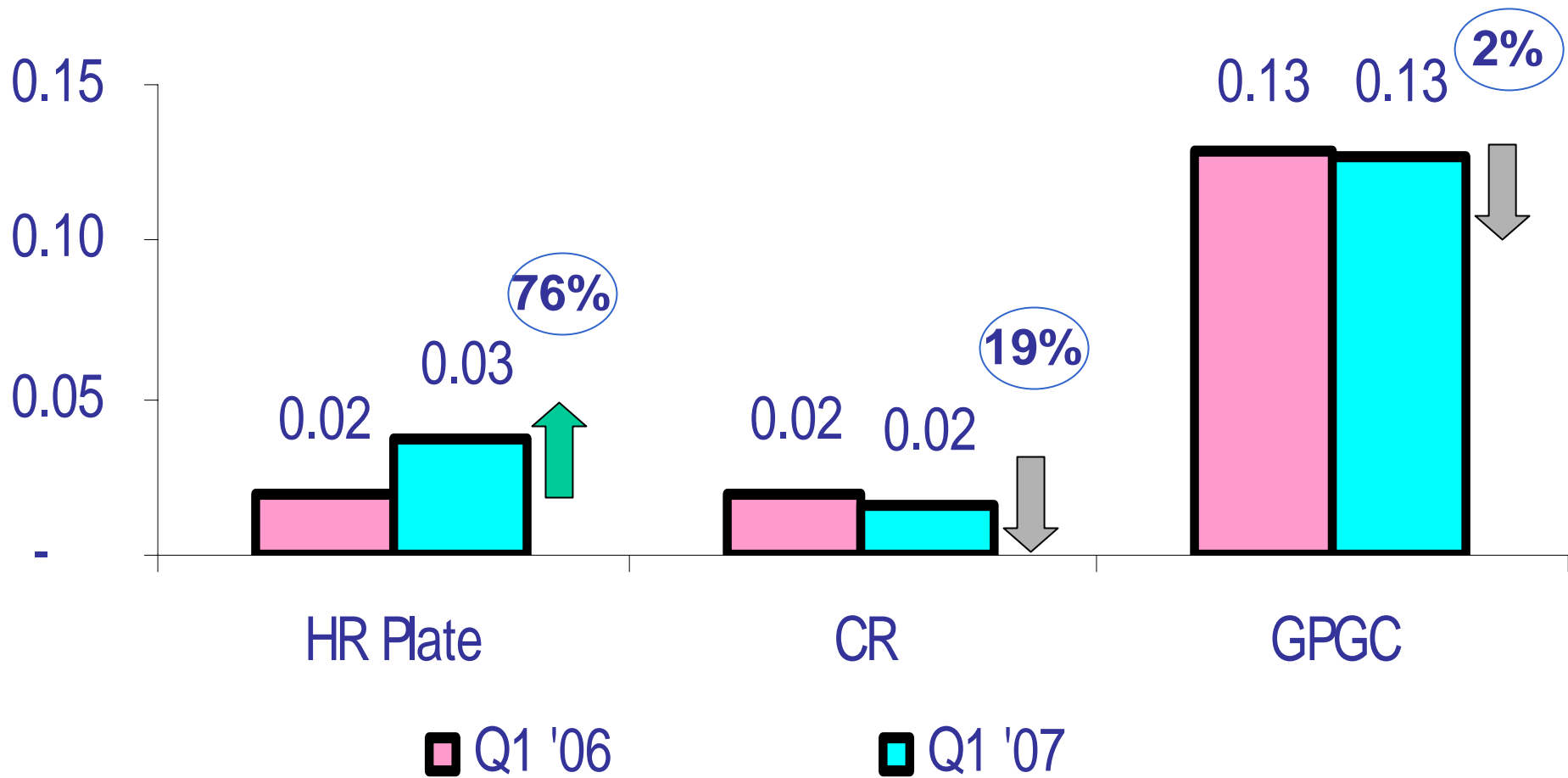
Operations: Sales Q1 FY 07

Quantity in MnT



Operations: Sales Q1 FY 07

Quantity in MnT





Expansion Projects and Status...

3.8 mtpa Expansion

- **Coke Oven:** Both Batteries fully commissioned
- **BOF 3:** Commissioned and operational since April '06
- **Sinter Plant:** Already commissioned
- **Blast Furnace 2:** Getting ready to start production
- **Caster:** Expected to start operation during quarter 2 '07

Coke Oven



BOF - CCP



Sinter Plant



Blast Furnace



CRM Complex

- 50% of civil works completed
- 70% structural works completed
- Other infrastructure work under progress
- Major equipment foundations to be completed by November '06
- Commissioning by May '07

Cold Rolling Mill Complex



6.8 mtpa Expansion

- Financial closure achieved
- Engineering and critical components for BF, sinter Plant and Coke Oven ordered
- Site contracts for civil and structural works placed
- Excavation for foundation and terracing under progress
- Other infrastructure work for boundary wall, wire fencing, internal roads, construction power to various shops under progress



Financials...

Financials: Highlights

- Volumes of HRC & GPGC down due to planned shutdown in HSM
- Sales realizations lower by 6%
- Cost of production down by 17%
- Debt repayment : Rs. 77.5 Crore in Q1'07
- Debt equity ratio maintained below 1
- Interest cost Rs. 88.72 Cr (2% reduction over corresponding quarter)

Financials: P&L Q1 FY 07

(Rs. In Crore)

	Q1,07	Q1, 06
Gross sales	1683	1700
Net sales	1569	1539
EBIDTA	473	507
EBIDTA Margin	30%	33%
Interest	89	90
Depreciation	103	92
Profit before tax	266	310
Profit after tax	170	200
EPS (In Rs.):		
- Basic	10.34	14.91
- Diluted	10.34	13.69

Financials – Key Ratios

As on 30th June 2006	
ROCE	15.50%
ROE	16.80%
Cash EPS (Rs.)	Rs. 96
Book Value Per Share (Rs.)	Rs. 252
Market Value Per Share (Rs.)	Rs. 275

*Figures annualized wherever required



Strategies Followed...

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- Lower Specific Investments
- Vertical Integration
- Healthy financial profile

Strategies Followed - Impact

- Specific investment cost down from Rs. 41000 to Rs. 26000 resulting in significant cost savings in fixed cost per ton
- Merger of steel business of JISCO, amalgamation of EIISPL, ECEPL & JPL and creation of port facility at Goa, reducing cost quarter on quarter

Strategies Followed - Impact

- Accelerated debt repayments and refinancing at lower costs reduced debt gearing below 1 and weighted average interest cost at around 8%

Way Forward

- Lower Specific Investments
 - 1 mtpa CRM project
 - Capacity expansion from 2.5 to 6.8 mtpa in 3 years
 - 10 mtpa by 2010
- Vertical Integration
 - Allocation of captive iron ore and coal mines
 - Acquisition of coal mines abroad
- Healthy financial profile
 - Financing expansion projects with debt gearing not exceeding 1
 - Focused to reduce interest cost



**Q&A on
Financials...**

Financial Results for Q1'07 and FY 2005-06

(Rs. in Crores)

Sr. No.	Particulars	Unaudited		Audited
		Quarter Ended		Previous Year Ended
		30.06.2006	30.06.2005	31.03.2006
1	Gross Sales			
	a) Domestic Sales	884.40	1207.85	4456.34
	b) Export Sales	798.85	492.27	2309.75
	Total	1683.25	1700.12	6766.09
2	Less: Excise Duty	113.88	161.31	585.99
3	Net Sales/Income from Operations (1-2)	1569.37	1538.81	6180.10
4	Other Income	1.63	2.46	382.96
5	Total Expenditure	1098.48	1034.12	4433.99
	a) (Increase) / Decrease in Stock in Trade	(145.99)	(247.57)	(139.29)
	b) Consumption of Raw Materials	868.98	888.48	3120.49
	c) Power and Fuel	86.25	107.34	415.76
	d) Staff cost	39.59	31.94	127.04
	e) Other Expenditure	249.65	253.93	909.99
6	Profit before Interest, Depreciation and Taxation (3+4-5)	472.52	507.15	2129.07
7	Interest	88.72	90.35	360.32
8	Cash Profit (6-7)	383.80	416.80	1768.75

Financial Results for Q1'07 and FY 2005-06

Sr. No.	Particulars	Unaudited		Audited
		Quarter Ended		Previous Year Ended
		30.06.2006	30.06.2005	31.03.2006
8	Cash Profit (6-7)	383.80	416.80	1768.75
9	Depreciation	102.52	91.91	405.82
10	Miscellaneous Expenditure Written Off	15.10	15.14	61.79
11	Profit before Taxation (8-9-10)	266.18	309.75	1301.14
12	Provision for Taxation:			
	(a) Current Tax (Minimum Alternate Tax)	21.53	18.90	79.50
	(b) Deferred Tax Liability	95.03	90.49	433.61
	(c) Fringe Benefit Tax	0.85	-	3.24
	(d) Minimum Alternate Tax Credit Entitlement	(21.53)	-	(79.50)
13	Profit after Tax (11-12)	170.30	200.36	864.29
14	Tax Adjustment for earlier year	-	-	7.76
15	Net Profit (13-14)	170.30	200.36	856.53
16	Paid up Equity Share Capital (face value of Rs. 10 per share)	156.98	129.04	156.98
17	Reserves excluding revaluation reserve			3555.12
18	Earnings per share (EPS)			
	Basic (Rs.)	10.34	14.91	55.57
	Diluted (Rs.)	10.34	13.69	55.57



Thank You