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**JSW Steel Ltd.**

**Presentation to Analysts and**

**Investors**

**Q4, FY 2007**

*30<sup>th</sup> April 2007*

# Agenda

- **Steel Scenario Outlook**
- **Performance Highlights**
- **Financial Highlights**
- **Expansion project status**
- **Key Developments**
- **Strategic Initiatives**
- **Way forward**

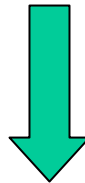


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# Steel Scenario Outlook

# 2006 - Highlights

- World Economy grew by 3.8%.
- Asia, China, Middle East, Central and Eastern Europe, CIS remained robust growth engines.
- Hardening cost of metallics and surging freight cost created cost push pressure.
- Urge to merge hastened the pace of consolidation.



**Finished Steel Consumption**  **8.5%.**  
**1.113 Bn metric tons**

# 2007 Outlook

- 3.5% Estimated Growth in World Economy
- Growing Fixed Asset Investments in Emerging and Developing Economies.
- Strong Display of Intent by Chinese policy makers to discourage exports.
- Weakening of US Dollar versus number of currencies tend to restrict price decline.
- Shortage of Metallica and galloping input cost scenario.

**Finished Steel consumption ↑ 5.8% at  
1.178Bn Metric Tons  
Positive price Outlook**

# China Developments

## Policy Initiatives

- Reduction/Removal of export incentives for steel products.
- Imposition of export tax on semis.
- NDRC has set target of 35 million tons of capacity closure of inefficient and outdated steel making facilities in 2007.
- Discouraging tolling activities through imposition of Taxes
- Imposition of Quantity restrictions on certain sensitive products.
- Gradual appreciation of Chinese currency a threat to Chinese Steel producers



**Chinese Net Exports to decline to 10 MT v/s 25 MT in 2006**

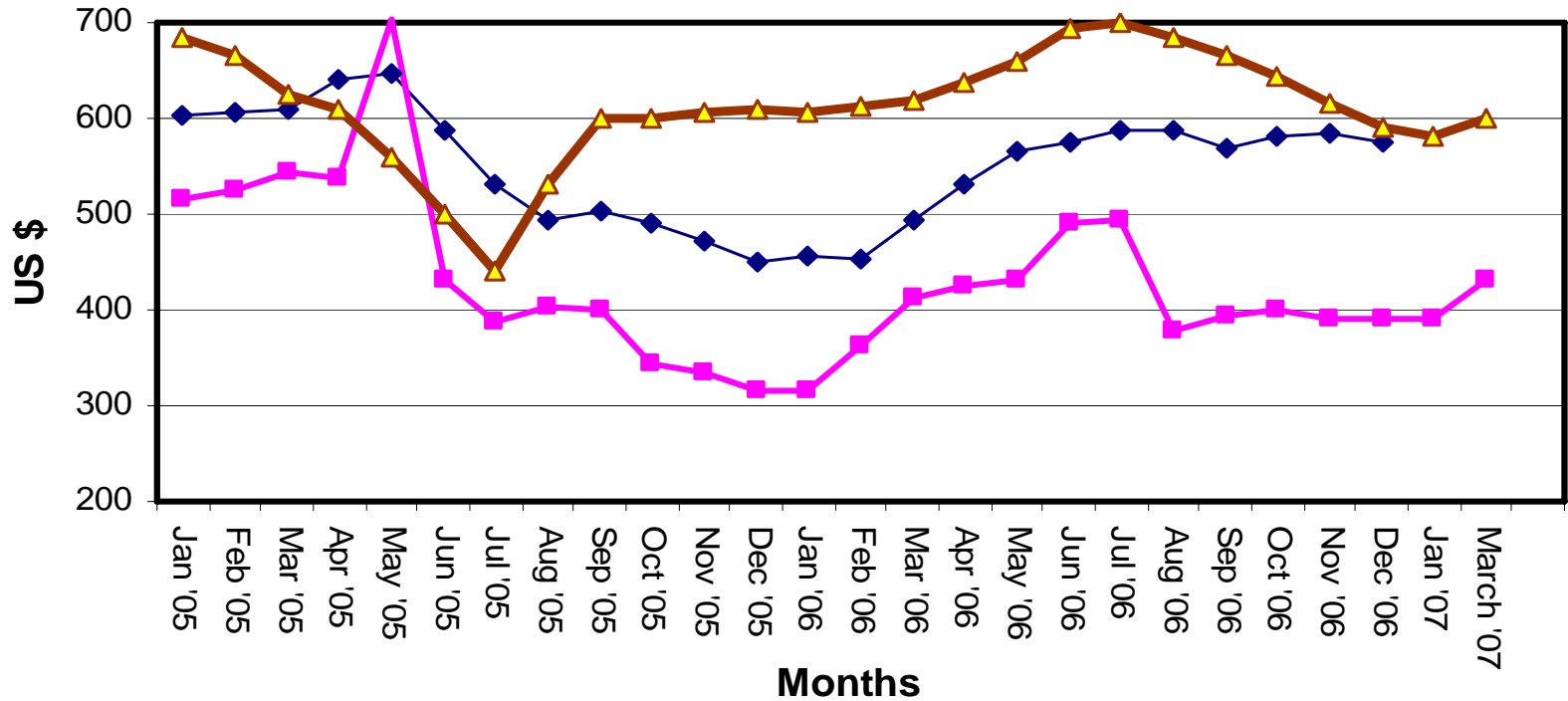
# Steel: Domestic Scene

- India is the second fastest economy in the world (9.2% GDP Growth rate in 2006-2007)
- Vast potential for increase in per capita consumption of steel as it is only 39kg in India and 2 kgs in rural areas.
- Growth drivers for surge in steel consumption are Auto components, Consumer Durables, Housing & Infrastructure.
- Imposition of Duty of Rs. 300 per tonne on export of Iron Ore is positive for steel industry.
- Strong Rupee reduces realisations despite attractive global steel prices.
- Inflation and hardening of Interest Rates is a challenge.

**Robust Steel Demand in India at growth over 10%**

# Global HRC Prices

## Regional Prices-HRC



◆ India

■ China

▲ USA

• Source: Steel Benchmarker



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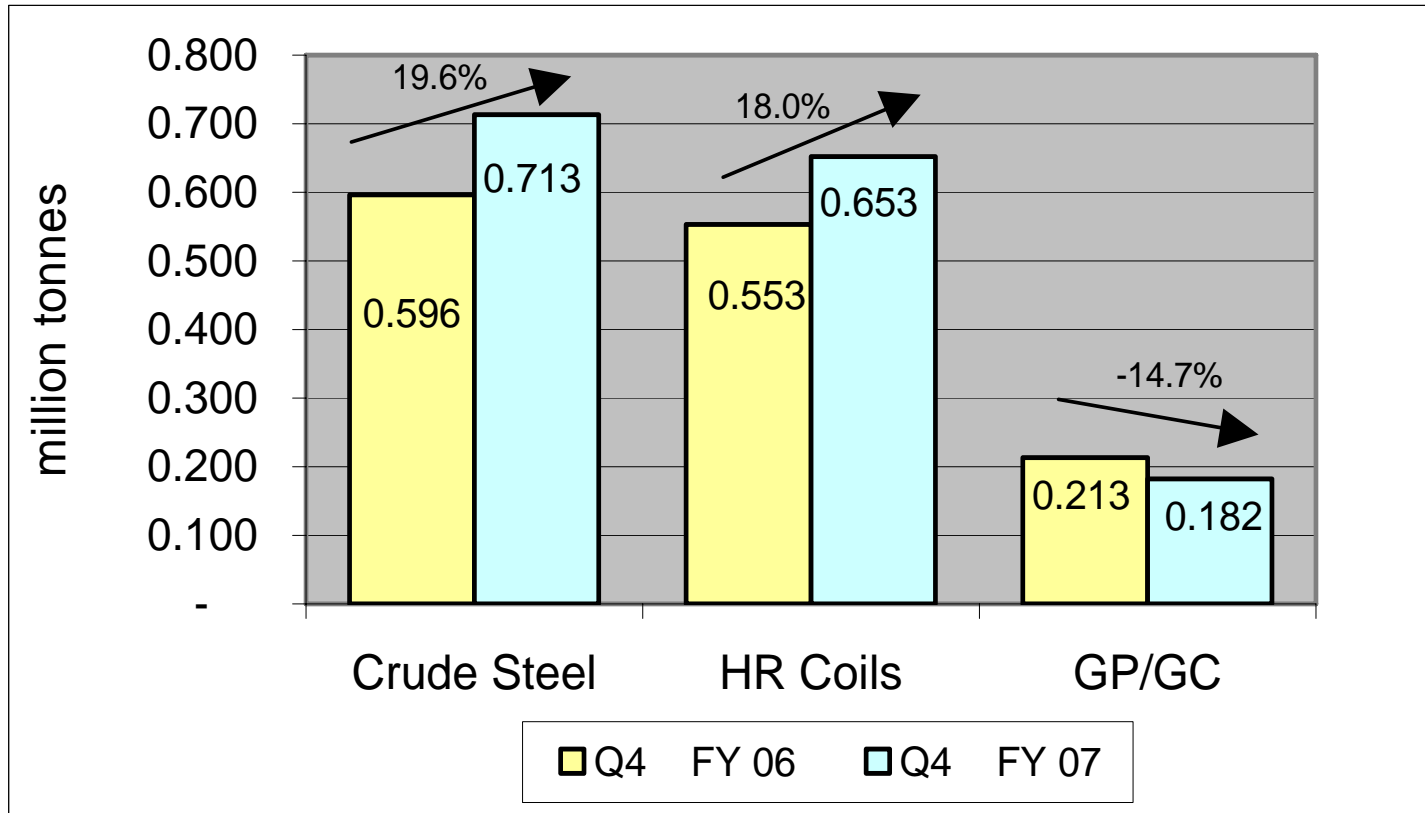
# Performance highlights...

# Key Highlights ...

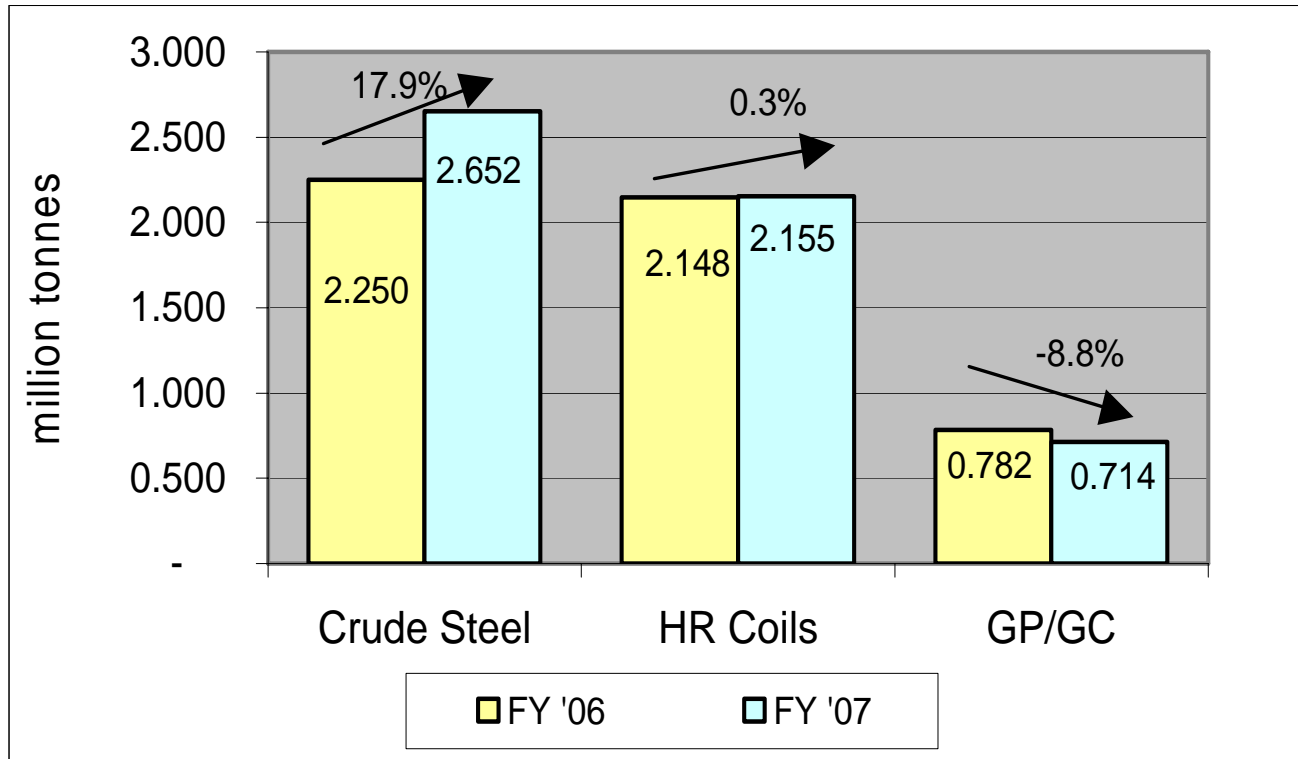
	<u>Q407 v/s Q406</u>		<u>FY07v/s FY06</u>
	(Growth )		(Growth )
• Crude Steel production	20%	↑	18 %
• Saleable steel sold	33%	↑	26 %
• Net Sales	57%	↑	38 %
• EBIDTA*	97%	↑	69 %
• Net Profit*	163%	↑	133 %
• EPS*	164%	↑	125%

*\*Excluding non recurring income*

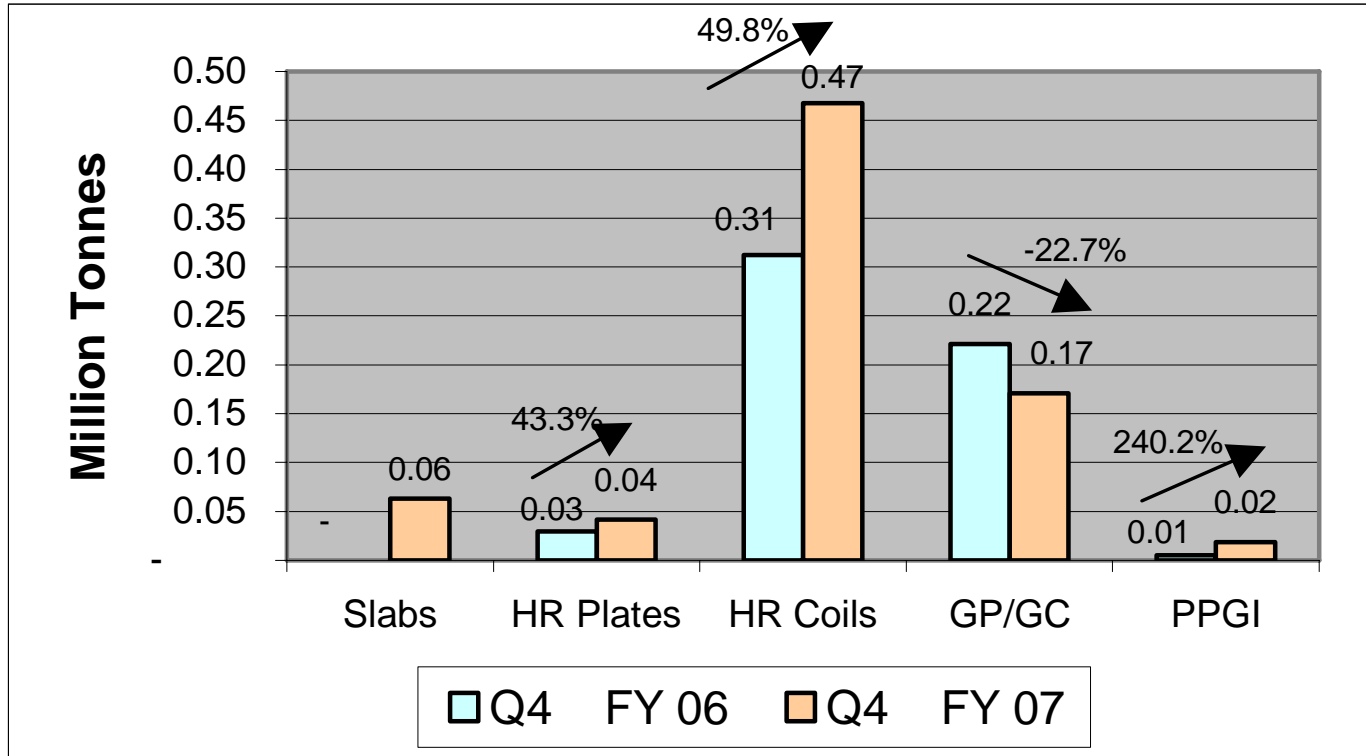
# Production – Q4'06 v/s Q4'07



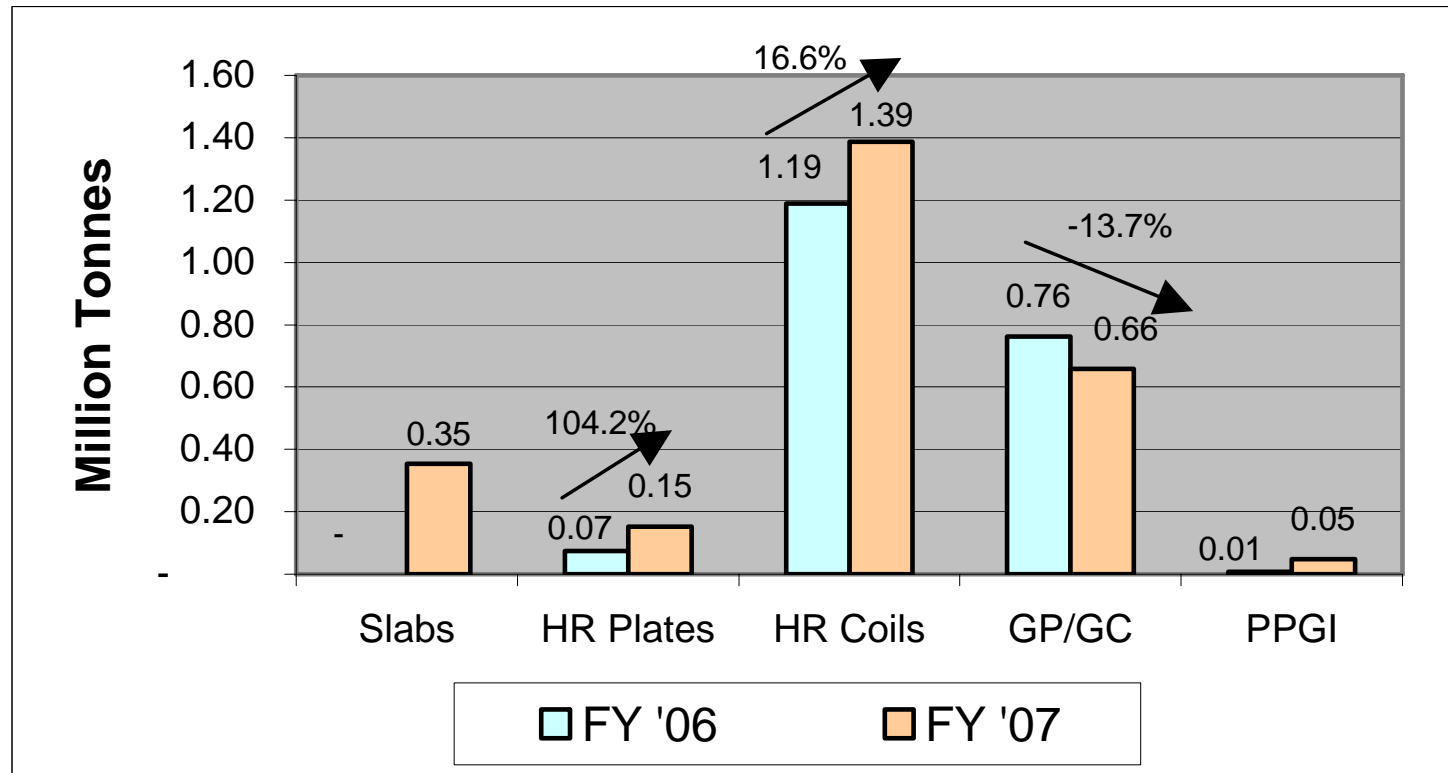
# Production – FY'06 v/s FY'07



# Sales – Q4'06 v/s Q4'07

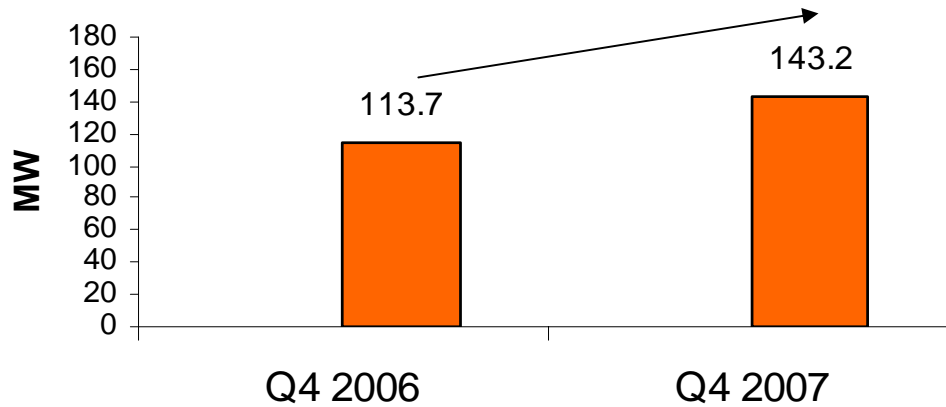



# Sales – FY '06 v/s FY '07

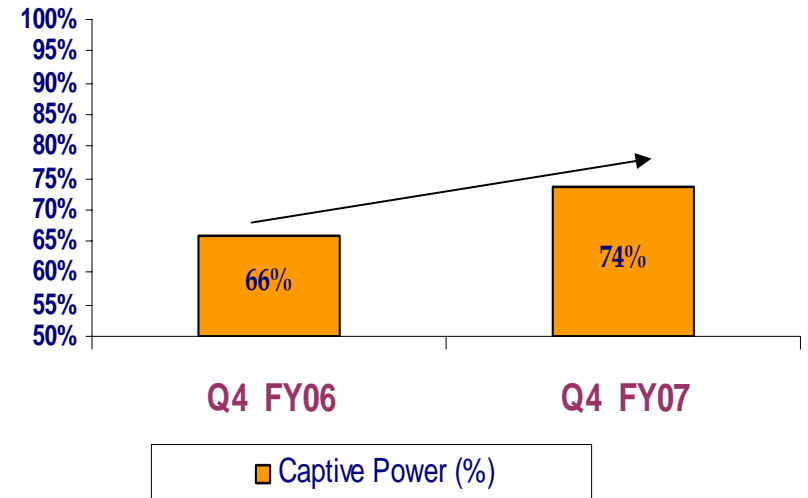


# Captive Power

Captive Power Generation up by  26%

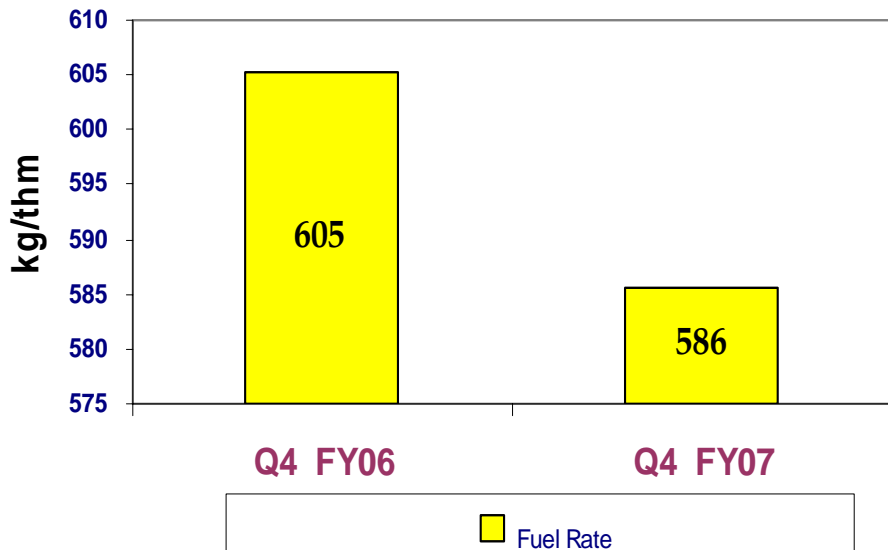


Captive Power consumption  8%  
vis-à-vis total power consumption



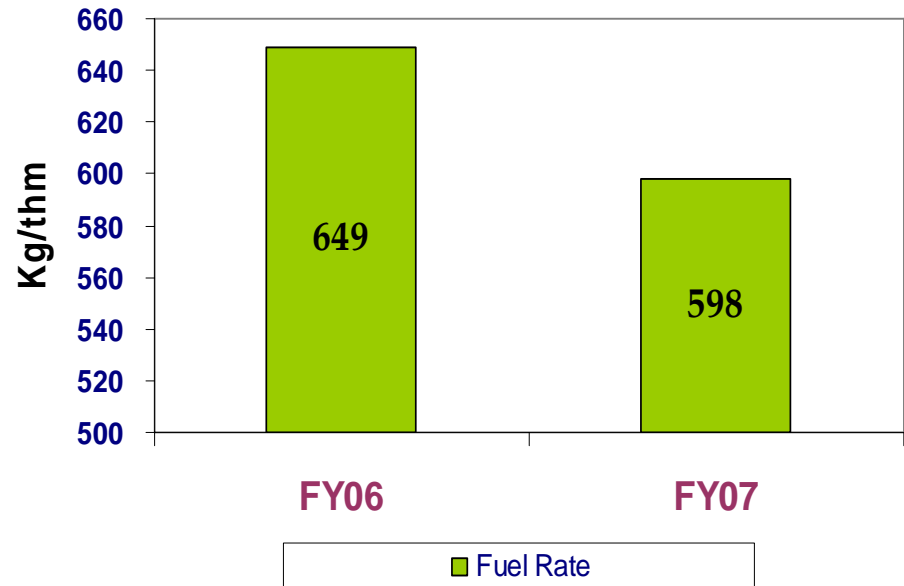
# Fuel Consumption

## Fuel consumption - Blast furnace



Fuel Consumption drop by 3.2%

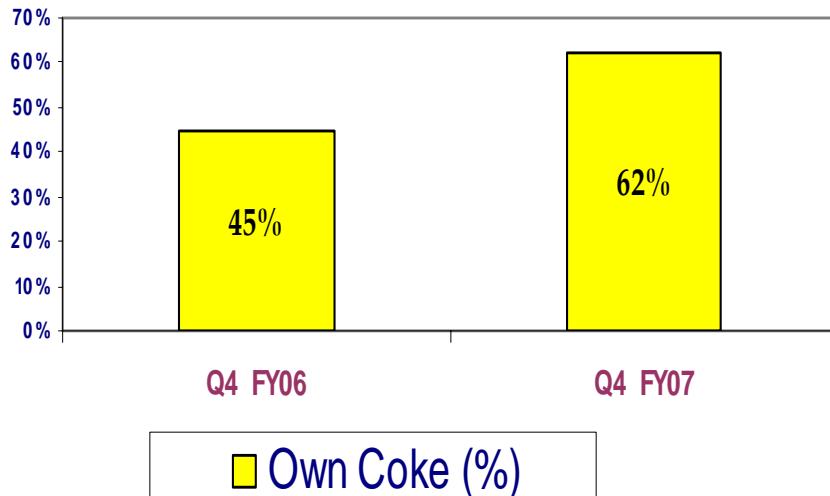
## Fuel consumption-Blast furnace



Fuel Consumption drop by 8.5 %

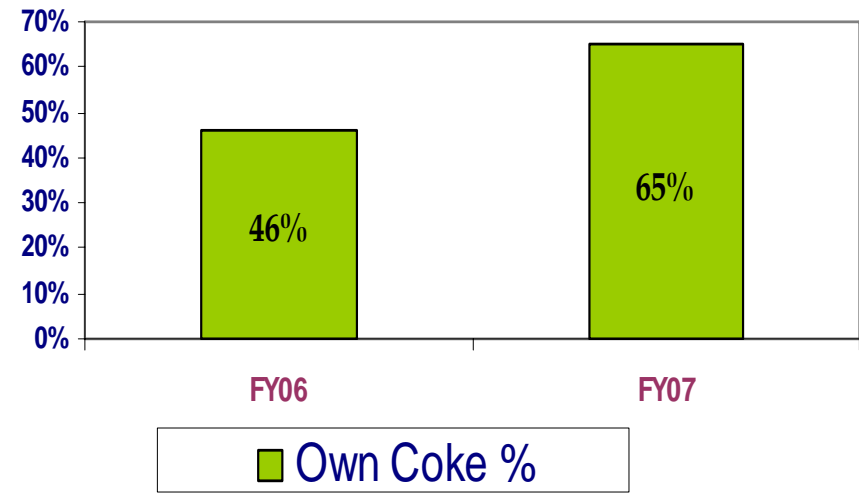
# Own Coke Production V/s Total Consumption

## Own coke production to total consumption



Up by ↑ 17%

## Own coke production to total consumption



Up by ↑ 19%

# Financial Highlights

- Debt repayment of **Rs. 359 crores** for Q4 07 (Repayment of **Rs.1018 crores** for FY 07)
- The Weighted Avg.rate of Interest at **8.14% p.a**
- Debt Equity ratio at **0.75 :1 (FY 06 0.96:1)**
- Significant improvement in Debt to EBITDA at **1.38 (FY 06 1.82 )**
- Accelerated Write off & Depreciation in Q4 07 is **30.58 crores** (FY07 **66.91 crores**)

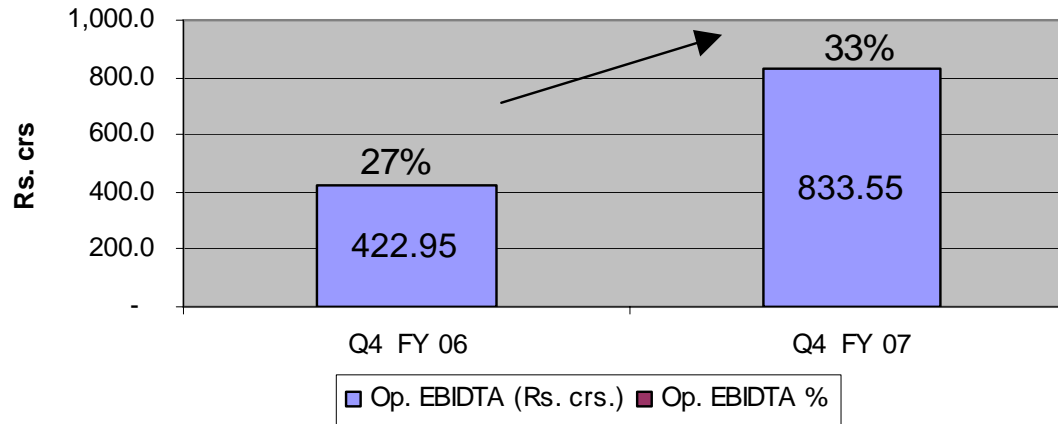
# Financials

(Rs. In Crores)

Particulars	Q4 2006	Q4 2007	Growth %	FY 2006	FY 2007	Growth %
Gross sales	1744.7	2741.5	57%	6801.5	9337.3	37%
Net Sales	1593	2498.54	57%	6215.5	8594.4	38%
EBITDA*	792.15	899.4	14%	2133.5	2921.9	37%
Interest	82.56	101.63	23%	363.9	399.5	10%
Depreciation	101.51	149.82	48%	405.8	498.2	23%
Profit Before tax	592.5	620.91	5%	1301.9	1915.2	47%
PAT	410.68	413.25	1%	856.53	1292	51%

- \* Includes non recurring income of Rs.369.20 crores for Q4 FY06 and Rs. 448.47 crores (FY 06) . Q4 07 Rs.65.85 crores and for FY 07 68.44 crores.

# EBITDA Analysis Q4'06 v/s Q4'07



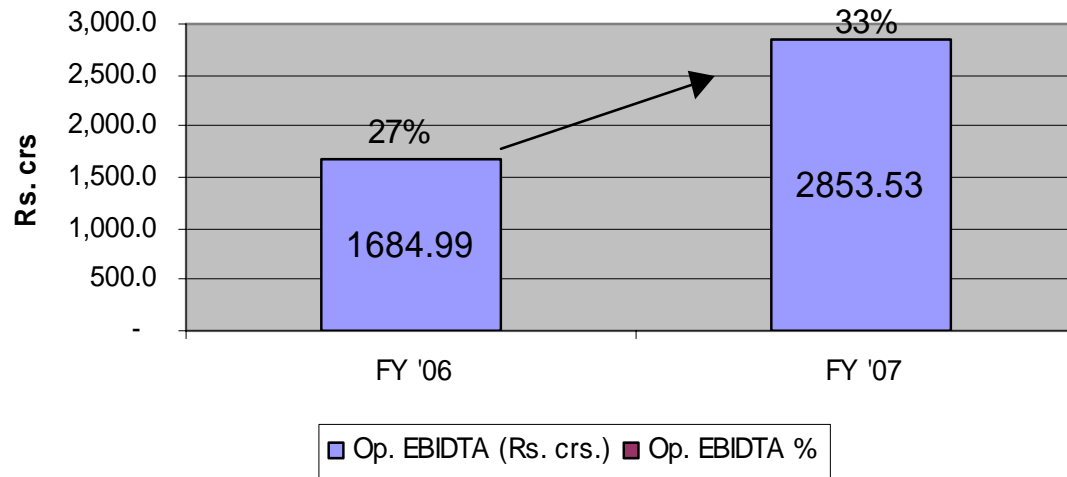
	Q4 FY 06	Q4 FY 07
<b>EBIDTA (Rs. crs.)</b>	<b>792.15</b>	<b>899.40</b>
Non-Operational Income	369.20	
Insurance Claim		65.85
<b>Op. EBIDTA (Rs. crs.)</b>	<b>422.95</b>	<b>833.55</b>
<b>Op. EBIDTA %</b>	<b>26.6%</b>	<b>33.4%</b>



97%

6.8%

# EBITDA Analysis FY'06 v/s FY'07



	FY '06	FY '07
<b>EBIDTA (Rs. crs.)</b>	<b>2,133.5</b>	<b>2,922.0</b>
Non-Operational Income	369.20	2.59
Target Plus/ Ins. Claim	79.27	65.85
<b>Op. EBIDTA (Rs. crs.)</b>	<b>1,685.0</b>	<b>2,853.5</b>
<b>Op. EBIDTA %</b>	<b>27.1%</b>	<b>33.2%</b>

↑ 69%  
↑ 6.1%

# Financials – Key Ratios

Key Ratios	UOM	FY 2006	FY 2007
ROCE	%	20.99	23.77
ROE	%	26.33	28.32
Book value per share	Rs.	240	312
Market price per share	Rs.	302	493
EPS (Diluted)	Rs.	55.57	78.88
P/E	times	5.45	6.26
EV/EBITDA	times	4.18	4.24



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# Expansion Projects and Status...

# Projects Status

## Projects Completed



1.3 mtpa expansion project	
HSM Modernisation –Phase I	
0.8 mtpa Pellet Plant	

## Projects under implementation



1mtpa CRM Complex	
2.8 mtpa Expansion	
New HSM	
BF – 1 Modification and HSM Modernisation Phase 2	
Galvalume & 30 MW CPP & Railway Sliding	
New Office Premises	

# CRM Project

## Civil & Structural Work nearing completion

- Equipment Foundation – 95 % complete
- Structural Fabrication - 90 % complete
- Structural Erection - 90 % complete

**Equipment Erection in respect of all facilities are in advance stage.**

# Cold Rolling Mill Complex



- Commissioning underway.....

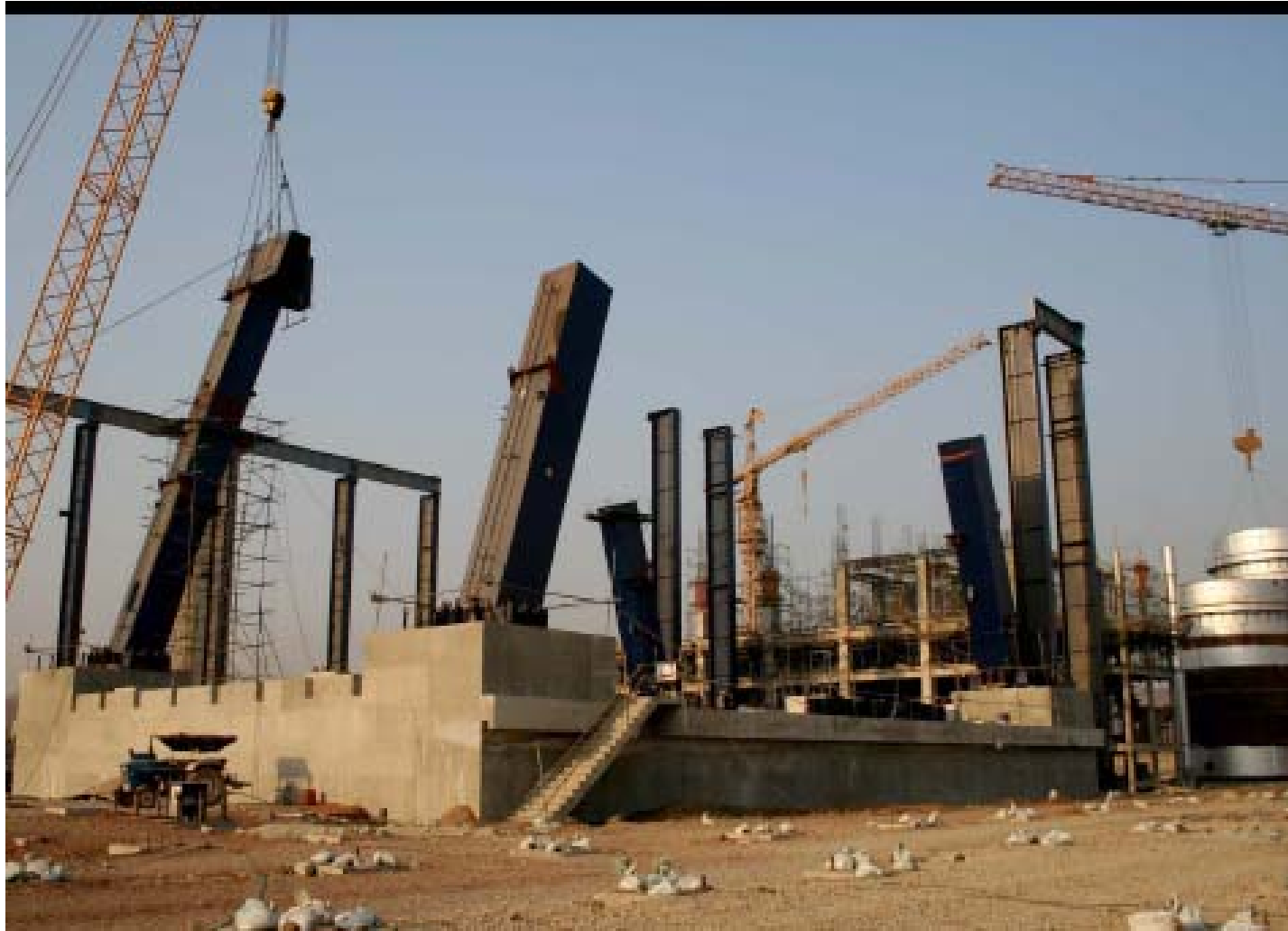
## 2.8 Mtpa Expansion Project

- 26 % of the total estimated civil works completed
- 16 % of the structural fabrication works completed
- 11 % of the structural Erection work completed
- 60% of Refractory items received for coke oven 3 and erection is in progress
- Imported Equipment supply for blast furnace and coke ovens started
- Critical long delivery Orders placed for various facilities under the expansion project

# Coke Oven 3



# Blast Furnace - 3



# BOF CCP- 2



# Other projects

- **New HSM:**  
Implementation has already been taken up and civil works are in progress. Major packages are finalised.
- **BF Upgradation:**  
Agreement with Seimens VAI for supply of Technology.
- **HSM Phase 2 -Modernisation**  
Technical discussions have been completed and ordering of equipment is in progress.



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# Key Developments

# Key Developments

1. Recommencement of Furnace after repairs
2. Acquisition of steel processing center in U.K through JSW Steel (U.K) Ltd .
3. Allocation of coal mine in Jharkhand
4. Following the encouraging Due Diligence reports on African coal mines, signed MOU to take over two more additional licenses.
5. Acquisition of cold rolling complex(JSAL)

# Recommissioning of Furnace

- Hot Metal Furnace was shut down due to accidental fire on 15<sup>th</sup> February 2007 for 57 Days for repairs.
- Successfully restarted on 12<sup>th</sup> April 2007 and is currently operating at 100% capacity.
- Received ad hoc payment of Rs. 10 crores from Insurance company towards Repairs Cost/Loss of Profits
- Received Letter from Insurance company confirming admissibility of claims subject to submission of relevant documents.
- Adequate steps taken to prevent such **reoccurrence**.
- Other Identical Hot Metal Furnace shutdown planned for 35 days in June/July 2007 to incorporate safety features to avoid such incidence in future .

# U.K Service Center

- Steel Processing center with a capacity of 150,000 tons per annum
- Strategically located at New Port ,South Wales,U.K, 2 kms. from Sea Port.
- Formed as Argent Independent Steel Ltd.,through a management buyout from Thyssenkrupp in 2006.
- Has facilities for Slitting, blanking and recoiling processes of Steel products and is ISO 9001 and TS 16949 certified.
- Capacity to Process-HR/CR/CRCA/GPGC & Colour coated products.

# U.K Service Center(contd...)

- Caters to Markets of Automotive, Construction, radiators,racking,HVAC, fencing and General application.

- Product Mix:  
55% Construction  
15% Automotive  
30% Others

- EBITDA:

2003-2004 - £ 1.56 Mn

2004-2005 - £ 0.997 Mn

2005-2006 - £ ( 0.647) Mn

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# U.K Service Center(contd...)

## Rationale:

1. Rich experience in service center business brings value enhancement in Indian Service centre business of JSW Steel.
2. Access to existing customer base in U.K/ European Markets.
3. Value addition to JSW Steel's products through service centre in U.K.
4. Entry point to widen and consolidate in European markets.

## Valuations:

Enterprise Value: : £ 3.75 mn

Loan to be taken over : £ 2 .1 mn

Equity value : £ 1.65 million

Payment Terms : 1 mn by 17<sup>th</sup> May 2007

Balance by 31<sup>st</sup> December 2007

# Coal Initiatives

## Coal block in Jharkhand:

- Joint Allocation of Medium and Higher grade coking coal block in Jharkhand, to:

JSW Steel-	69%
Others	31%

- Estimated Geological Reserve of 410 mn tons and mineable Reserves of 250 mn tons
- Expected annual capacity of Minimum -8mtpa to be shared by allottees as per predetermined allocation.
- To formulate structure with joint allottees to obtain other approvals and start mining operations.
- Allowed to use part of coking coal for its Vijaynagar plant.

# Coal Initiatives

## Coal Mines in Africa:

- Encouraging due diligence reports received on the potential coking coal availability in Africa – signed a MOU with a African party .
- Also signed a MOU for two more coal concessions in Africa.

Further Geological due diligence is being carried out.

# Acquisition of Cold Rolling Complex

- **Proposed Acquisition** : Cold Rolling complex owned by Jindal Steel and Alloys.(JSAL)
- **Capacity** : 230,000 tons p.a
- **Location** : Vasind –adjacent to JSW Steel’s existing facility.
- **Consideration** : Rs. 63.34 crores  
(Valued by independent valuers)
- **Payment terms** : Rs.61.98 crores ( by taking over the liabilities)  
Rs.1.36 crores (Balance in cash)



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# Strategic Initiatives

# New 3.2 mtpa Expansion

## Rationale....

- Demand for Steel in India growing at more than 10%
- No green field capacity expected to be operational in near future
- Distinct advantage to the company in growing its market share
- 2 mtpa New Hot Strip Mill being set up expandable to 5 mtpa with marginal investment
- Excess Slabs available (post new 3.2 mtpa expansion) can be processed into HR Coils improving the EBIDTA margins substantially
- Low Specific Investment Cost of Rs. 21875 per tonne

# New 3.2 mtpa Expansion

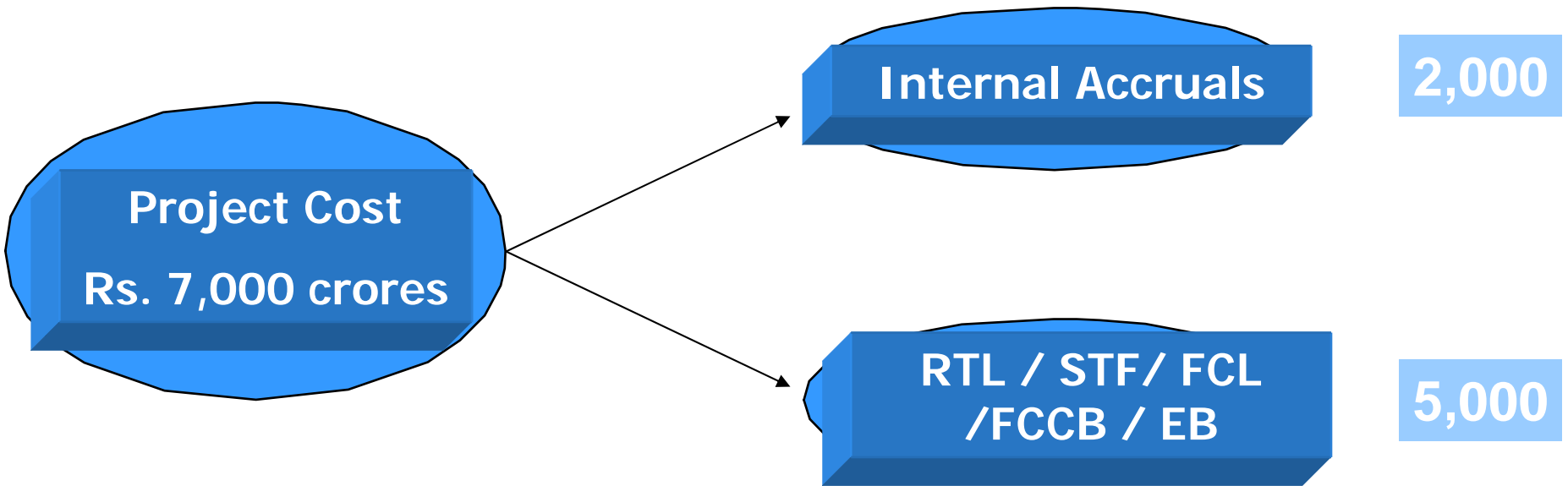
## Project Configuration

- 3.2 mtpa Blast Furnace
- 5.7 mtpa Sinter Plant
- 1.5 mtpa Coke Oven Recovery Plant
- 2 Nos. 175 mt each Basic Oxygen Furnace
- 2 Nos. 175 mt Ladle Furnace
- 1 No. 175 mt RH-OB Degasser
- 2 Nos. Slab Caster
- 300 MW Coal based power plant as a captive unit
- Water pipe line from Almaty Dam
- Dedicated Railway Corridor



# Cost of Project & Means of Finance

Rs. in crores



3 years Implementation Period

# Projects Expenditure status

Rs. in crores

**Project Completed**

**171**

1.3 mtpa expansion project	FY '07
HSM Modernisation –Phase I	Q1 '07
0.8 mtpa Pellet Plant	Q4 '07

**Project under implementation**

**7,844**

1mtpa CRM Complex	Q2 '08
2.8 mtpa Expansion	FY '09
New HSM	Q2 '10
BF – 1 Modification and HSM Modernisation Phase 2	FY '09 FY '08
Galvalume & 30 MW CPP & Railway Sliding	FY '08
New Office Premises	FY '08

# Projects Expenditure status....contd.

Rs. in crores

Proposed  
Project 3.2 mtpa

6.8 mtpa to 10 mtpa

7,000

Investment

Subsidiaries/  
Associates (for 3 yrs)

342

Normal Capex

For 4 years

1,745

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**Total 17,102**

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# Means of Finance

Rs. in crores

## Term Loans

Tied up,  
yet to be  
drawn

3,168

- CRM Complex
- 2.8 mtpa Expansion
- New Office Premises

475  
2,483  
210

Tie up  
under  
process

1,325

- NEW HSM – RTL
- New HSM – ECB \$ 175 mio
- Galvalume & 30MW CPP

430  
770  
125

Yet to be  
tied up

5,000

- 3.2 mtpa Expansion

5,000

# Means of Finance .....contd.

Rs. in crores

Others

537

Balance to be received on:

- Sale of shares of JSW Energy
- Sale of power plant to SISCOOL
- Exercise of warrants

313

29

195

Internal  
Accruals

7,072

- Cash Accruals

7,072

**Total 17,102**



# Way Forward



# Guidance

(In Million tons)

Products	FY 2007	FY 2008(E)	% Growth
Pellets	3.80	4.74	25%
Crude Steel	2.65	3.34	26%
HR Coils	2.16	2.72	26%
HR Plates	0.18	0.29	59%
CR Products	0.77	1.09	42%
Galvanised Coils	0.71	0.70	6%
Galvalume		0.05	
Colour coated	0.05	0.08	63%

# Way Forward

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

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

## Forward Looking and Cautionary Statement

- Certain statements in this report concerning our future growth prospects are forward looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risk and uncertainties relating to these statements include, but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manager growth, intense competition within Steel industry including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our internal operations, reduced demand for steel, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which the Company has made strategic investments, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry.