



Press Release

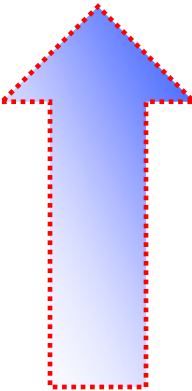
24.7.2007

## **JSW Steel Limited posts Highest Ever Net Profit of Rs.427.78 Crores, up by 151%, in Q1, FY-08**

JSW Steel Limited declared highest ever Net Profit of Rs.427.78 crores showing a growth of 151% compared to the corresponding quarter of the previous year.

The key performance highlights are as under:

	<b>Q1 FY 08 Vs Q1 FY 07</b>
	<b><u>Growth</u></b>
➤ Volume growth (Crude Steel Production):	26%
➤ Saleable Steel sold :	16%
➤ Net sales :	37%
➤ EBIDTA :	85%
➤ Profit after tax :	151%
➤ EPS :	142%
➤ EBIDTA Margin :	37.72%
➤ Debt gearing (Adjusted) :	0.69



### **Operational Performance**

The Company achieved a significant volume growth in crude steel production inspite of shut down of Hot metal furnaces for an aggregate period of 32 days during the quarter.

The Break-up sales and production volumes are as under:

( Million MT )			
Products	Q1 FY 08	Q1 FY 07	Growth
<b>Production :</b>			
- Pellets	0.965	0.970	-
- Crude Steel	0.707	0.560	26%
- HR Coils/Sheets	0.638	0.249	156%
- GP/GC	0.188	0.132	43%
- HR Plates	0.036	0.042	-14%
<b>Sales :</b>			
- Pellets	0.114	0.048	138%
- Slabs	0.019	0.216	-91%
- HR Coils/Sheets	0.386	0.156	147%
- GP/GC	0.158	0.126	26%
- HR Plates	0.033	0.033	-
- Saleable Steel	0.635	0.548	16%

The Company has achieved growth in production across all the products excepting HR Plates as the Plate mill was shut down for a period of 25 days for enhancement of capacity from 0.28 mtpa to 0.32 mtpa.

The volume of saleable steel went up by 16%, since 25000 tonnes of Plates / Coils were consumed for various projects captively, in addition to accretion to stock of around 50,000 tonnes due to bunching of exports.

While Net Sales Realizations improved over the corresponding quarter of the previous year, the increase in the DEPB rate by 3% w.e.f 1<sup>st</sup> April, 2007 has also contributed for higher profits.

Inspite of certain savings in cost due to increase in captive power generation, reduced usage of Fluxes and increased LD Gas recovery in Basic Oxygen Furnace, the overall costs have gone up mainly due to higher input cost, viz. iron ore, coke, zinc and Ferro alloys.

## **Financial Performance**

The Other Income includes foreign exchange translation gains of Rs.60.14 crores on capital account arising on settlement / restatement of foreign currency denominated liabilities relating to acquisition of fixed assets in accordance with recent provisions of Accounting Standard 11. The Other Income also includes Rs.18.75 crores of insurance claim towards loss of profits attributable to shut down of Hot Metal furnace during the 1<sup>st</sup> half of April 2007. After adjusting these two non-recurring items, the EBIDTA margin improved to 35.53% as against 29.69% in the corresponding quarter of the previous year. The Company posted highest ever Net Profit of Rs.427.78 crores.

While the Company's adjusted debt gearing was at 0.69 due to repayment of term loans aggregating to Rs.234 crores during the quarter, weighted average interest cost has come down to 7.86% from 8.14% as on 31<sup>st</sup> March '07.

The other financial ratios viz. return on capital employed (24.47%) and the interest cover (8.13 times) showed marked improvement.

## **Status of projects and implementation**

- a) **Cold Rolling Mill 1 MTPA complex:**  
The installation of major Equipment is in progress and the commissioning of various facilities is progressing briskly. The CRM project is expected to be completed by September 2007.
  
- b) **HSM Phase II Modernization Project to increase capacity from 2.5 to 3.2 MTPA:**  
Technical discussions have been completed & Ordering of main package of Equipments is completed. The project is expected to be on Stream by September 2008
  
- c) **New HSM Project:**  
The implementation has already been taken up and site works are in progress. Major Packages are finalized. Down payments have been made. Targeted commissioning date is 30.9.2009.

- d) **Blast Furnace 1 Modernization Project to increase capacity from 0.9 to 1.2 MTPA:**  
Discussions are in progress with VAI Siemens for finalizing the modernization related jobs to achieve planned capacity enhancement by end FY 2008-09.
- e) **2.8 MTPA Expansion Project to increase overall capacity to 6.8 MTPA:**  
The various units under 2.8 MTPA Expansion Projects, such as Blast Furnace, Sinter Plant, Coke oven plant, Steel Melt shop (two converters, one Slab Caster and one Billet Caster), and Long Product Mills (Wire Rod Mill & Rebar Mill) are progressing as per schedule. In respect of Coke Ovens, Refractory erection is in progress. The Sinter Plant and Blast Furnace erection is in advanced stage. There is a significant progress in the implementation of this Project and is expected to be on stream by Mar-09, as planned.
- f) **3.2 MTPA Expansion Project to increase overall capacity to 10 MTPA:**  
Orders placed Siemens VAI for Blast Furnace #4, on other suppliers for Coke Oven #4 and Slab Casters. Main packages of Sinter plant #3 is in advanced stage of negotiation. The implementation of the Project has already commenced and is expected to be on stream as planned by 2010.

On completion of the above expansion projects, the company will have fully integrated 10 MTPA Steel Plant with state-of-the-art facilities and value added products, contributing significantly to the bottom line.

### **Key Developments**

- 1) The Hot Metal Furnace which was shut down due to accidental fire on 15<sup>th</sup> February 2007 was recommissioned on 12<sup>th</sup> April, 2007 after repair. To incorporate safety features to avoid such accidents, similar Hot Metal Furnace was shut down for around 40 days from 11<sup>th</sup> June 2007. This Furnace restarted operations on 23<sup>rd</sup> July 2007. The Company's insurance claim towards repairs and loss of profit was settled for Rs.89 crores

comprising of Rs.75 crores towards loss of profit and Rs.14 crores towards capital repairs.

**2) Acquisition of 300 MW Power Plant from JSW Energy (Vijayanagar) Ltd.(JSWEVL)**

The Company has captive Power Plants aggregating to 230 MW to cater to entire requirement of Steel Plant at 3.8 mtpa. In order to meet incremental requirement of power for expansion project from 3.8 mtpa, to 6.8 mtpa, the Company has signed a long term Power Purchase Agreement for buying 300 MW of power and has also agreed to invest upto 26% in the equity of JSWEVL.

It is now proposed to acquire the 300 MW Power Plant, including certain common facilities, from JSWEVL considering the following benefits to the Company :

- a) integration of entire power plant operations with Steel Plant operations providing for better control and management of power requirement within the steel plant complex;
- b) improvement in operational efficiency; and
- c) potential tax savings due to tax concessions / exemption available for the power sector u/s 80-I(A) of the The Income Tax Act of 1961.

The Board has appointed an independent consultant /valuer to value the said Power Plant and recommend the efficient mode of acquisition and the value at which this plant can be bought. A Committee of Directors has been constituted to approve the terms of acquisition of this Power Plant on availability of Independent Valuation report and recommendation.

**3) Clean Development Mechanism (CDM) Project:**

The Company as part of its CDM initiatives had set up a 100 MW captive power plant using waste gases generated in the process of Steel making, as a CDM Project, which was commissioned in April 2005. The Project was registered by CDM Executive Board of UNFCCC and the Company is

accordingly eligible for a total 7,673,254 Certified Emission Reductions (CER's) for the period from April 2005 to March 2015.

Based on the verification of the CER's, the Company has obtained the approval of the CDM Executive Board for issuance of 1,364,852 CER's for the period Apr. '05 to Dec. '06. In order to get credit in favour of the Company, a holding account in the CDM Registry will be opened, to facilitate sale or transfer of CERs quickly.

**4) JSW Steel ranked as 8<sup>th</sup> among the top world class Steel Makers:**

The World Steel dynamics not only included JSW Steel Ltd. in the list of top world class Steel makers but also ranked it as No. 8 with an aggregate score of 7.33 on a scale of 10 taking into account 23 different parameters. This once again demonstrates the inherent strength and competitive position of JSW Steel Limited.

## **Outlook**

The global crude steel production grew at 8.4% during H1, 2007 mainly led by 17.8% growth in China. Chinese exports are higher in first six months at 35 Mn MT. US had a marginal positive GDP growth in Q1, 2007 due to slowing economy, lower auto production and decelerating construction. However, rising demand for Pipes & Plates is noticed in the US driven by booming Oil & Gas Industry. Monsoon in Asia has slowed down construction activities.

The international prices of steel products as a consequence of above factors, has come down by around 7-10%. The appreciating Rupee against the Dollar and the lower international steel prices led to an adjustment of the prices in the domestic market by around Rs.600-800 per tonne from 1<sup>st</sup> July, 2007.

The recent policy announcements by Chinese Government to restrict steel exports by introducing licensing procedures, reducing export rebates and

introducing taxes on exports are expected to slow down the export of steel products from China. It is reported that the inventories at various service centers are coming down and the demand continues to be buoyant. Indian economy has shown robust growth in the current financial year backed by a growth of 11.7% in the industrial production in April/May 2007. Lower inflation reported recently is expected to result in lower interest rate regime, which will spur growth in Automobile and Retail sector, a big positive for steel industry. In this scenario, the steel prices are expected to remain stable and may pick-up from third quarter.

### **About JSW Steel Limited**

The JSW Steel Ltd., belonging to JSW group, part of the US \$ 6 billion 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 and port facilities. JSW Steel Limited is engaged primarily in manufacture of flat products viz. H R Coils, C R Coils, Galvanised products, auto grade / white goods grade CRCA Steel and Power. Incorporated in 1994, it has grown to US \$ 2.25 billion in little over a decade. JSW Steel Limited has the largest galvanizing production capacity in the country and is the largest exporter of galvanized products with presence in over 74 countries across five continents.

### ***Forward looking and Cautionary Statements:***

Certain statements in this release 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 risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage 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 – 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.

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