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PRESS STATEMENT

JSW Steel Ltd net profit for Q2 FY 07 jumps by 226%

JSW Steel Ltd. showed an impressive performance for the quarter ended 30th September 2006 with highest ever Net Profit of Rs. 346.30 crores primarily contributed by higher volumes and better sales realization.

Highlights

- Volume growth : 17% higher in Crude Steel
- Sales realization : 19% higher for HR Coils
- Net sales : Rs. 2,195 crores up by 42%
- EBITDA : Rs. 745 crores up by 89%
- EBITDA margins : 33.9% improved by 8.5%
- Interest cost : Lower by 3%
- Profit after tax : Rs. 346 crores up by 226%
- Debt gearing : Improved to 0.85

Operational Performance

The company has shown all-round improvement in volumes with an impressive growth in production. The commissioning of additional Blast furnace, Sinter plant, Coke oven battery and the Converter shop has also given an incremental production of 112,500 MT hot metal. The commissioning of Coke oven battery and higher captive generation of power have also contributed for reducing the costs.

The recommissioning of Hot Strip Mill after shutdown of 37 days for capacity enhancement and modernization in Q1, FY 07 and incremental production from

1.3 MTPA expansion project lifted up the volumes in Q2, FY 07. The 3rd caster, part of 1.3 MTPA expansion project, is under commissioning and is expected to be operational by end October 2006, due to which further increase in volume of crude steel is expected starting from November 2006.

(Million Tons)

Products	Q2 FY 07	Q2 FY 06	Growth	H1 FY 07	H1 FY 06	Growth
Production :						
- Pellets	1.014	0.942	8%	1.984	1.850	7%
- Crude Steel	0.649	0.553	17%	1.209	1.085	11%
- HR Coils/Sheets	0.606	0.549	10%	0.854	1.061	-19%
- GP/GC	0.199	0.203	-2%	0.330	0.363	-9%
- HR Plates	0.045	0.016	183%	0.087	0.039	124%
Sales :						
- Pellets	0.057	0.149	-62%	0.105	0.261	-60%
- Slabs	0.054	-		0.270	-	
- HR Coils/Sheets	0.349	0.321	9%	0.505	0.599	-16%
- GP/GC	0.180	0.207	-13%	0.307	0.337	-9%
- HR Plates	0.043	0.016	164%	0.075	0.035	214%

Financial Performance

The net sales stood at Rs.2,194.58 crores with growth of 42% over the corresponding quarter of previous year. The EBIDTA improved to Rs.744.58 Crores, a growth of 89%. The EBIDTA margin has swelled to 33.9% vis-a-vis 25.4% in the corresponding quarter of the previous year accounted by improved volume mix and higher sales realizations.

The interest cost has come down by 3% inspite of hardening of interest rates. The weighted average interest cost remains at 8%. The company repaid debt of Rs.331 Crores during the quarter (Rs. 409 crores for the half year FY 06-07) and the long term debt as on 30.9.2006 was Rs. 3,944 crores bringing down the debt gearing to 0.85 : 1. The company's net worth improved to Rs. 4,665 crores.

Status of projects under implementation

i) Pellet plant expansion by 0.8.MTPA – The company has taken shut down of the pellet plant for expanding its capacity from 4.2 MTPA to 5 MTPA on 13th October 2006 and is expected to be re-commissioned by 20th October 2006.

ii) CRM Complex – Considering the progress of implementation, the plant is expected to be commissioned by 31st May 2007.

iii) Capacity expansion project to 6.8 MTPA - There is a significant progress in the implementation of this project. Civil works are progressing at a brisk pace and all the major orders have been finalized and this is expected to be on stream by 31st March 2009.

The other projects i) Blast Furnace – I upgradation to expand capacity by 0.3 MTPA and ii) further capacity enhancement of HSM from 2.5 to 3.2 MTPA will come on stream in FY 07-08.

Key developments

i) **Change in scope of 2.8 MTPA crude steel expansion project:**
Considering the potential growth in the long products demand in India, the need to have a wider range of product mix to diversify risk, it is proposed to change the scope of the expansion project by incorporating 1.5 MTPA long

products facility in lieu of corresponding slab making facility. The long product facility includes 1.5 MTPA Billet Caster, 0.9 MTPA Bar Mill, 0.6 MTPA Wire Rod Mill. This project will now have 1.5 MTPA of long products and 1.3 MTPA of flat products (up to slab stage). The project will be implemented, within the time line even with the change in the scope of the project. The project cost is estimated to go up by Rs. 300 crores due to change in scope which will be met out of cash accruals of the company. Since the realizations on sale of finished long products are higher than that of slabs with a marginal increase in investment, all the financials of the project show significant improvement.

ii) New Hot Strip Mill

At 6.8 MTPA stage, the company is expected to have surplus slabs of 2 MTPA for sale in the market. The existing Hot strip mill has the constraint on width upto 1320 mm (maximum) and thickness of 1.8 mm (minimum). It is essential that the company has a State-of-the-Art HR Mill capable of producing varied range of high end HR products that will improve the competitive strength of the company in the market place. Accordingly, the Board has approved to set up a Hot Strip Mill, capable of producing up to 2100 mm width and thickness ranging from 1.5 mm to 25.4 mm. This plant can be expanded upto 5 MTPA in future as and when the company decides to enhance the crude steel capacity beyond 6.8 MTPA. The cost of the project is estimated to be Rs.2000 crores to be financed by cash accruals Rs.800 crores, debt of Rs.1200 crores. The pay back from the incremental cash generation is less than 5 years justifying the investment in the Hot Strip Mill.

Strategic Initiatives

A) Forming a subsidiary for acquisition of coal assets overseas.

The company has been pursuing the strategy of integrating its operations vertically to bring down the costs. A focused effort is being made for the last two years to identify prospective coal mining assets and invest in them to ensure long term coal security. The company has identified certain coal assets in Mozambique and started financial, legal and technical due diligence. The Board has approved the opening of a new "arm" to pursue these initiatives by setting up a wholly owned subsidiary overseas with permission to form step down subsidiaries in various destination countries for acquiring the coal assets. The initial investment approved is up to US $ 25 Million to be contributed either by equity or loans / extension of financial guarantees.

B) Formation of a subsidiary to pursue acquisition opportunities in steel business.

The company has been on the look out for acquiring value added facilities in Europe and USA. The company has wide international presence with large exports, imports and foreign borrowings requiring a continuous interaction with various stake holders. To identify and to speed up acquisition of steel business related assets and also to intensify the interactions with various stake holders to improve its business activities in international arena, the Board has approved the formation of wholly owned subsidiary overseas with an investment up to £ 1 Million. This investment is by way of either equity or loans / extension of financial guarantees.

C) Forming a subsidiary in India to set up Service Center

The Company is setting up a manufacturing facility (1 MTPA CRM complex) to produce 0.8 MTPA of CRCA and 0.2 MTPA of HRPO products which will be operational by 31.5.2007.

Considering the requirements of discerning customers and long term strategic benefits and financial feasibility, the Board has approved the proposal for setting up a Service Centre at a cost of Rs. 135 crores in a wholly owned subsidiary with an Equity Investment by JSW Steel Ltd., up to an amount not exceeding Rs.50 crores in one or more tranches and also to give guarantee for a term loan of Rs.85 crores to be raised in the subsidiary company. The Service Centre, as a separate profit center, can over a period of time, take on and meet service requirements of the other Companies also.

Outlook

Indian economy is picking up speed to accelerate the growth momentum. The manufacturing sector in the last quarter showed a robust growth of around 12%. The steel prices have shown some weakness in the last few weeks due to increased volume of exports from China. The strong demand from other geographies, namely; Russia, India and Middle East is cushioning this impact bringing stability in prices. In this scenario, the prices are expected to be stable barring short term corrections.

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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