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PRESS STATEMENT

JSW Steel Limited Net Profit for Q3 FY 07 surges by 160%

JSW Steel Ltd. showed an impressive performance for the quarter ended 31st December 2006 with EBIDTA margin at 34.9% and the highest ever Net Profit of Rs.362.15 Crores primarily contributed by higher volumes and better sales realization.

Key Performance Highlights - Q3'06 V/s Q3'07

- Crude Steel Production : ↑ 28%
- Sales realization : ↑ 22% (HR Coils)
- Net sales : ↑ 51%
- EBITDA : ↑ 83%
- Profit after tax : ↑ 160%

Operational Performance :

The 1.3 MTPA expansion project has become fully operational during November 2006 resulting in increased volume of Crude steel production.

(Million Tons)

Products	Q3 FY 07	Q3 FY 06	Growth
Production :			
- Pellets	0.955	0.961	-1%
- Crude Steel	0.730	0.569	28%
- HR Coils/Sheets	0.648	0.534	21%
- GP/GC	0.201	0.206	-2%
- HR Plates	0.038	0.011	251%
Sales :			
- Pellets	0.057	0.121	-53%
- Slabs	0.021	-	
- HR Coils/Sheets	0.413	0.278	49%
- GP/GC	0.184	0.204	-10%
- HR Plates	0.034	0.010	248%

The Operational highlights for the quarter includes reduction in Fuel consumption in Blast Furnace, increased availability of Captive Power and lower Power consumption.

Financial Performance

The net sales for the Quarter stood at Rs.2,301.50 crores with growth of 51% over the corresponding quarter of previous year. The EBIDTA improved to Rs.803.08 Crores, with a growth of 83%. The EBIDTA margin has swelled to 34.9% with improved volume mix and higher sales realizations. The highest ever Net Profit of Rs. 362.15 Crores is achieved during the current quarter and the cumulative Net Profit is Rs. 878.75 Crores for the nine month period ended December 31, 2006.

The weighted average interest rate has been maintained at 8% levels, despite hardening of Interest Rates. The company has repaid debt of Rs.250 Crores during the quarter (Rs. 659 crores for the nine month period in FY 06-07) and the long term debt as on 31.12.2006 was at Rs. 4,079 crores bringing down the debt gearing to 0.81 : 1. The company's net worth improved to Rs. 5,054 crores.

Status of projects under implementation

- i) Expansion Project 1.3 MTPA** – During the quarter, the Company has successfully completed the commissioning of all the facilities taken up under 1.3 MTPA Expansion Project, by increasing the Slab making capacity from 2.5 MTPA to 3.8 MTPA.
- ii) Pellet plant expansion by 0.8.MTPA** – The company has completed the Pellet Plant expansion project for enhancing the capacity from 4.2 MTPA to 5 MTPA. The benefit of capacity enhancement will flow after establishing the connectivity to the Main Plant in January 2007.
- iii) CRM Complex** – The implementation is progressing satisfactorily and it is expected to be commissioned in quarter 1 of next FY 2007-08.

- iv) **Capacity expansion project to 6.8 MTPA** - There is a significant progress in the implementation of this project. Civil works in respect of all the facilities under the expansion project are progressing at a brisk pace and the orders of around 45% of the project have already been finalized and this is expected to be on stream by 31st March 2009, as planned.
- v) 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.
- vi) **New Hot Strip Mill** – The implementation has already been taken up and site works are in progress. Major Packages are finalized.

Strategic Initiatives

A) Formation of Joint Venture subsidiary to implement West Bengal Steel Project:

A Development Agreement was executed on January 11, 2007 with the Government of West Bengal, West Bengal Industrial Development Corporation (WBIDC), West Bengal Mineral Development and Trading Corporation Limited (WBMDTC) for setting up a 10 MTPA Steel Plant in suitable phases at an estimated cost of Rs. 35,000 Crores within 12 years from the date of execution of Development Agreement. This Development Agreement inter alia includes incorporation of a Special Purpose Joint Venture Company with WBIDC and WBMDTC.

The Board has approved the formation of the subsidiary Company with an initial authorized and paid up equity capital of Rs.100 Crores of which JSW Steel's contribution would be 89% and balance 11% by WBIDC and WBMDTC, to be increased at a later stage based on the financing structure. The Board has also accorded its consent to negotiate and finalize the Shareholders Agreement with the JV partners namely WBIDC and WBMDTC.

The project will be implemented in suitable phases, the first phase being 3 MTPA to be completed within 4 years from the date of execution of Development Agreement at an estimated cost of Rs.10,000 Crores. The core cost of the steel plant assuming the power plant and oxygen plant will be implemented by other Associate companies with independent financing arrangement, is estimated to be Rs.6000 Crores to be financed by equity of Rs.2000 Crores and a debt of Rs.4000 Crores. The debt is proposed to be raised in the joint venture company without recourse to the company and the equity of Rs.2000 Crores will be held to the extent of 51% by the company and balance will be contributed by WBIDC / WBMDTC and group investment / associate companies. The company proposes to achieve the financial closure of the 1st phase of 3 MTPA in special purpose joint venture company with JSW Steel contribution pegged at around Rs.1000 Crores. JSW Steel expects to meet the requirement of Rs.1000 Crores out of its cash accruals during implementation phase of 4 years.

B) Formation of wholly owned subsidiaries of the Company:

The Company has set up the following wholly owned subsidiaries:

1. **JSW NATURAL RESOURCES LIMITED**, a Company incorporated in Mauritius on 27.11.2006 to pursue acquiring coal assets/other assets relating to steel business.
2. **JSW STEEL (UK) LIMITED**, a Company incorporated on 20.10.2006 in London, England to strengthen and widen the Company's presence in the International market and also to identify and speed up the acquisitions in Steel related businesses.
3. **JSW STEEL PROCESSING CENTRES LIMITED**, a Company based in India, to set up service centres with a view to expand the reach of CRCA and HRPO steel products manufactured across the value chain and to meet the exacting demands of the user industry.

C) Registration of CDM Project with UNFCCC:

The Company as part of its CDM initiatives developed a 100 MW captive power plant using waste gases as a Clean Development Mechanism (CDM) Project. This Project has been commissioned in April 2005. The Company is committed to adopt environment friendly technologies contributing immensely in reducing the green house gases (GHG) emission.

This Project has been registered by CDM Executive Board of United Nations Framework Convention for Climate Change (UNFCCC) on January 12, 2007. As per the registered project design document, the Company is eligible for a total of 7,673,254 Certified Emission Reductions (CER's) from April 2005 to March 2015. Following the registration the Company is required to appoint an accredited Verifier for monitoring and verification of the CER's. After this process of verification is completed, the Company has to apply to CDM Executive Board of UNFCCC for issuance of CER's. The request for issuance of CER's will then be examined by the CDM Executive Board after following the laid down guidelines and procedures and there after the CER's will be issued. The volume of CER's may vary during this process of monitoring, verification and issuance. These CER's there after can be delivered to the prospective buyers. The price of CER's is volatile and the amount realizable depends upon the market conditions and terms of sale at the time of actual conclusion of sale transactions.

Outlook

The estimated growth in global crude steel consumption in 2007 will be 5.2% vis-à-vis 4.9% growth in production. The expected slow down in exports from China coupled with strong growth in demand in Emerging Economies signals stable price scenario with upward bias. Robust growth in Indian Economy is expected to stimulate Steel demand further.

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