Press Release

30.4.2007

JSW Steel Limited reports Highest Ever Net Profit of Rs.413.25 crores in Q4 2006-07

JSW Steel Limited showed the spirit of challenge by posting improved performance quarter after quarter. The key performance highlights are as under:

	Q4 FY 06-07 Vs Q4 FY 05-06 Growth	FY 06-07 Vs FY 05-06 Growth
➢ Volume growth (Crude Steel Production):	20%	18%
➢ Saleable Steel sold :	33%	26%
➢ Net sales :	57%	38%
➢ EBIDTA * :	97%	69%
➢ Profit after tax * :	163%	133%
➢ EPS* :	164%	125%
➢ EBIDTA margin* (27% as on 31.3.2006) :	33%	33%
➢ Debt gearing (0.96 as on 31.3.2006) :	0.75	0.75

* *Excluding non recurring income*

The Company released consolidated financial results for the FY 06-07 following the incorporation of subsidiaries during the year.

Operational Performance

The Company has successfully commissioned the following three projects during the FY 2006-07, which contributed to significant volume growth in Crude steel.

- Modernization of Hot Strip mill capacity from 2 MTPA to 2.5 MTPA
- Commissioning of 1.3 MTPA Crude steel expansion project
- Pellet plant capacity expansion project from 4.2 MTPA to 5 MTPA

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

(Million MT)

Products	Q4 FY 07	Q4 FY 06	Growth	FY 07	FY 06	Growth
Production :						
- Pellets	0.861	0.991	-13%	3.799	3.802	0%
- Crude Steel	0.713	0.596	20%	2.652	2.250	18%
- HR Coils/Sheets	0.653	0.553	18%	2.155	2.148	0%
- GP/GC	0.182	0.213	-15%	0.714	0.782	-9%
- HR Plates	0.058	0.037	57%	0.182	0.086	111%
Sales :						
- Pellets	0.100	0.118	-15%	0.261	0.500	-48%
- Slabs	0.063	-		0.355	-	
- HR Coils/Sheets	0.468	0.312	50%	1.387	1.189	17%
- GP/GC	0.171	0.221	-23%	0.658	0.762	-14%
- HR Plates	0.041	0.029	41%	0.151	0.074	103%

The company has taken shut down in 4th quarter of Pellet Plant for capacity expansion which led to lower production of Pellets during the Quarter even though the cumulative production during the fiscal year remained at the same level as that of previous year. Hot Strip Mill was shut down for modernization in Q1 (FY'06-07) and picked up volumes on re-commissioning due to which a growth of 18% in Q4 was achieved. The production would have been higher had there been no shut down of one of the furnaces from 15.02.2007 due to accidental fire. The HR Coils sales volume went up by 50% in Q4 as the production and sales of GP / GC products were kept lower focusing on thinner gauges to optimize the profitability.

The input costs, viz. iron ore, coal zinc and Ferro alloys have gone up, but the impact is mitigated by increasing the production of captive power and captive coke, injection of coal fines in the blast furnace, use of sinter fines in Corex. These measures could help in retaining the costs of production almost at the same level as that of last year excepting in the last quarter due to shut down of one of the furnaces which pushed the costs up.

Financial Performance

The net sales for the quarter stood at Rs.2498.54 crores showing a growth of 57%. The other income of Rs.80.73 crores, includes the loss of profit claim of Rs.56.25 crores accounted as income pursuant to a letter received from the Insurance Company confirming the admissibility of the claim subject to submission of necessary documents and another insurance claim of Rs.9.60 crores lodged and settled by the Insurance Company. The EBIDTA margins improved to 33.4% (excluding non recurring income) vis-à-vis 26.6% of the corresponding quarter of the previous year. The Company posted highest ever net profit of Rs.413.25 crores during the Q4 compared to Rs.410.68 crores of previous year which included income on sale of investments and target plus scheme benefits. The cumulative net profit was Rs.1292 crores vis-à-vis Rs.856.53 crores in the corresponding previous year.

The company's debt gearing has come down to 0.75 as against 0.96 in the previous year even after availing fresh loans for enhancing the capacity from 2.5 MTPA to 3.8 MTPA as the company has repaid Rs.1018 crores during the year. The weighted average interest cost was at 8.14% in the hardening interest rate scenario, reflecting the improving financial profile of the Company. The Company's net worth improved to Rs.5400 crores against long term debt of Rs.4031 crores giving enough flexibility to raise further debt with out breaching the debt gearing level of 1. It is heartening to note that the Long Term Debt to EBIDTA reduced from 1.82 times in the previous year to 1.38 as on 31.3.2007. Return on capital employed also improved to 23.77%. The interest cover improved from 5.86 to 7.31 times.

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 Q2, FY 2008.

b) **HSM Phase II Modernization Project to increase capacity from 2.5 to 3.2 MTPA**:
Technical discussions have been completed & Ordering of Equipment is in progress. The project is expected to be on Stream by end of FY 2007-08.

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 has already started. 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.

On completion of 2.8 MTPA expansions, the company will have an integrated 6.8 MTPA Steel Plant with state-of-the-art facilities and value added products contributing significantly to the bottom line.

Cost Reduction Initiatives

i) Setting up of Mixer together with RH degasser with Hot metal pre-treatment facilities in the steel melt shop enables the Company to produce high end steel products in addition to improving the yields. These facilities are expected to be operational in fiscal 2007-08.

ii) Installation of a coal drying plant to be commissioned in 2nd quarter 2007-08 will improve the fuel efficiency in Corex unit.

iii) Installation of Boiler with a capacity of 200 TPH per hour will increase the CPP 2 operating capacity from 90 to 130 MW and is expected to be operational by December 2007.

iv) 30 MW captive power plant and conversion of zinc coating to aluminum coating will bring value enhancement in the Downstream processing.

The dedicated efforts made by the R & D team at JSW is driving to take up new innovative value enhancing initiatives to optimize yields, reduce costs and improve operational performance on a sustainable and continuous basis.

Key Developments:

a) Recommencing the Hot Metal Furnace after necessary repairs.

The Company had to undertake shut down of one of the furnaces in February 2007 for repairs due to accidental fire. This furnace recommenced operations on 12th of April 2007. The Company has taken fire insurance policy covering the loss of profits also. As a preventive measure, it is now proposed to take shut down for a period of 35 days in June / July 07 for the other identical Hot Metal unit to incorporate the safety features to ensure such incidence do not reoccur.

b) **Acquisition of Service Centre in UK**

JSW Steel Ltd, through its wholly owned subsidiary JSW Steel (UK) Ltd has entered into a share purchase agreement to acquire 100% stake in Argent Independent Steel (Holdings) Ltd, UK, which in turn owns 100% shares of Argent Independent Steel Ltd.

Argent Independent Steel (Holdings) Ltd, was formed in October 2006, after a management buyout of Thyssenkrupp Service Centre UK Ltd, a part of Thyssenkrupp Germany. It is a steel processing center strategically located at Newport, South Wales, UK and is about 2 Kms away from the seaport. The company is involved in slitting, blanking, recoiling processes of steel products and is ISO 9001 and TS 16949 certified.

The annual steel processing capacity of the company is 0.15 Mtpa. The plant processes Hot Rolled, Cold Rolled Close Annealed, Galvanised and Colour coated steel Coils to cater to the automotive, construction, radiators, racking, HVAC, fencing and general application. Out of the current product mix, 55% goes into the construction sector, 15% to the Automotive sector and the balance for other purposes.

The turnover of the company in 2006 was £ 26.3 million. The EBIDTA in 2003-04 was £1.568 million and £0.997 million in 2004-05. The company's EBIDTA in 2005-06 was a negative of £ 0.647 million. JSW Steel (UK) Ltd has entered in to Share Purchase agreement to buy Argent Independent Steel (Holdings) Ltd at an Enterprise Value of £ 3.75 million.

The consideration of £3.75 million is to be discharged by taking over the existing loan of £2.1 million and balance £1.65 million to be paid to acquire 100% holding; £1 million by 17.5.2007 and balance on or before 31st December 2007 subject to satisfactory compliance of certain conditions. The company proposes to fund the cost of acquisition out of its cash accruals.

The acquisition is expected to immensely benefit the Company to:

- Use rich experience and expertise in the Steel Service Centre business in UK for the company's recently forayed similar business in India.
- Access to existing customers and market in UK and European Automotive and Construction sector.
- Further value enhancement to JSW Steel's products through UK Service Centre,
- Widen and consolidate the presence in the European markets, using the base in UK.

c) **Coal Mines in Africa**

Following the encouraging due diligence report on the coal blocks proposed to be acquired by the Company in Africa the Company has signed further MOUs on 5th of March 2007 to take over two more licenses with a view to expand operations in Africa to achieve self sufficiency in coking coal over a period of time. The Company has to under take further due diligence to know the quality of the coking coal and extent of usability in steel making.

d) **Allotment of Rohne Coking Coal Block in Jharkhand**

JSW Steel Ltd had applied for allocation of captive coking coal blocks to the Ministry of Coal for the captive consumption of coal at its existing steel plant at Vijayanagar as well as the proposed steel plant at Jharkhand.

Ministry of Coal, Government of India has allotted Rohne Coal Block in the State of Jharkhand with geological reserves of 410 million tons and 250 million tons of mineable reserves of Medium and High grade Coking Coal jointly to JSW Steel Ltd. and two other Allottees in the ratio of 69%, 24% and 7% respectively. The annual capacity of the mine will be 8 MTPA and the output will be divided between the 3 companies in the ratio of their allotment.

A suitable consortium structure shall be formed between JSW Steel Ltd, and two other Allottees Ltd. for the development of mine and the infrastructure. The necessary environmental, forests and mining plan approvals shall be obtained in due course.

e) **Acquisition of Cold Rolling Complex**

Jindal Steel & Alloys Ltd.(JSAL), owns a 230,000 tonns of Cold Rolling facility at Vasind adjacent to the Value Added Facility of the company. As the operations of this Company are integrated with Down-stream business, your Company has taken this facility on Conducting Basis for a period of 3 years which expires on 28.2.2009. In order to carry out the integrated operations uninterruptedly, it is in the interest of the Company to acquire this facility. Accordingly your Board has approved the acquisition of this unit on the terms to be approved by a Committee of Directors based on valuation by Independent Valuer. Subsequent to receipt of independent valuation report, the Committee of Directors approved the acquisition of this unit for a consideration of Rs.63.34 crores to be discharged by taking over the liabilities of Rs.61.98 crores and the balance of Rs.1.36 crores to be paid in cash subject to certain approvals to be received from JSAL. This acquisition will be completed on receipt of requisite approvals from JSAL.

Strategic Initiatives:

a) Expansion of capacity from 6.8 MTPA to 10 MTPA by 2010 and Raising Long Term Resources.

- India is the 2nd fastest growing economy in the world. The steel consumption in the last year grew at 12%. The automotive, consumer durables, auto components, infrastructure, construction and housing sectors are showing double digit growth which drives up steel demand. The total consumption of steel in India is expected to reach 70 million tonns even assuming a conservative growth rate of 10%. As no big green field capacity is expected to be operational in the foreseeable future, JSW

Steel is in a distinct advantage to undertake brown field expansions and make them operational to leverage this opportunity.

- The company's new Hot strip mill being set up at an initial capacity of 2 MTPA can be expanded to 5 MTPA with marginal investment. The inherent capacity available in the Hot strip mill is also an added advantage to create crude steel capacity as a backward integration to enhance the value.

- The project configuration includes: New sinter plant, Coke oven, Blast furnaces, 2 Converters, 2 Casters, 2 Lime Klins, 300 MW captive power plant, dedicated water pipe line from Almatti dam from Andhra Pradesh, dedicated railway corridor for transporting Ore from mine to the plant with all other associated logistics, utilities and common facilities.

- The implementation period is estimated to be 3 years starting from 1st October 2007. The cost of the project is worked out at Rs.7000 crores to be financed by way of cash accruals Rs.2000 crores and balance through Foreign Currency Convertible Bonds / EURO bonds / Foreign Currency loans / Structured finance products / Rupee loans. The Company is in touch with various Investment / Merchant bankers to work out the right mix of debt to finance this project and other ongoing projects. The Board of Directors at their meeting held on 30th April 2007 authorized the Finance Committee of Directors to negotiate and finalise the terms and conditions for each of the element of debt financing including Foreign Currency Convertible Bonds. Incidentally, the Company obtained the approval of the Members of the Annual General Body Meeting held on 13.6.2005 to raise resources up to US $ 500 million through FCCB / ADR / GDR / Convertible instrument from International Capital Market. Considering the attractive returns on project faster brownfield expansions at low specific investment cost per tonne, favourable capital market environment to raise resources to finance the Capital Expenditure Programme of the Company, and positive steel industry scenario, the Board decided to take up the implementation of this project to be commissioned by 2010. The Company expects to maintain the debt gearing below 1 and debt to EBIDTA below 3 including the proposed debt financing up to 10 MTPA on the assumption of stable steel price outlook.

b) The Board has also decided to seek an enabling approval from the Members for:

- the Issue of Shares / Securities convertible into Equity Shares to Qualified Institutional Buyers (QIB) in one or more trances through a Qualified Institutional Placement (QIP) not exceeding Rs.1000 crores in the aggregate at any one point of time; and /or
- for raising additional long term resources upto US$500 million in the International Capital market through issue of ADR/ GDR/FCCB/ and/or any other Convertible instrument(s).

However, the total amount to be raised by the proposed issue of Securities and QIP would not in the aggregate exceed a sum of USD 500 million.

Dividend

Considering the excellent performance for the year under review and the financial position of the Company, your Directors at their meeting held on 13.03.2007 declared an interim Dividend of Rs.12.50 per Equity Share of Rs.10.00 for FY 06-07. Together with the Corporate Tax on Dividend, the total outflow on account of dividend was Rs.233.73 crores, vis-à-vis 143.19 crores paid for FY 06, an increase of 63%. The Board at its meeting held on date, has decided not to recommend any final dividend and to treat the interim dividend as final dividend. The interim dividend shall be fully adjusted as final dividend for the financial year ended on 31st March, 2007.

Your Directors recommend dividend at the stipulated rate of Re. 1/- per share (10%) on the 10% Cumulative Redeemable Preference Shares of Rs.10/- each for the financial year ended 31st March, 2007 for your approval.

Outlook

The global finished steel consumption is expected to touch 1.178 billion tones in 2007 showing a growth of 5.8%. The policy announcements, namely reduction / removal of export rebates on steel products, imposition of export tax on semis, discouraging tolling activities through the levy of taxes, imposition of quantity restrictions on export of certain products show the intent of Chinese policy makers to discourage export of low value added steel products. It is estimated by certain steel analysts that the net steel exports in 2007 from China will decline to approximately 10 million tones vis-a-vis 25 million tones in 2006. The weakening US Dollar is expected to keep the steel prices in Dollar terms at higher levels. Shortage of metallics, surging freight costs will continue to keep the cost of production high for steel manufacturers. The world economy is estimated to grow at 3.5% in 2007 as per IMF, which is again a big positive for the steel industry. At the back drop of clocking 9.2% growth in GDP in 2006-07, India is poised to maintain the growth momentum. In this environment, 2007 is expected to be a good year for the steel industry in spite of challenges of appreciating Rupee and hardening interest rates in the domestic market.

Guidance

The Company targets to produce the following volumes for FY 2007-08.

Item	**Production (MTPA)**		**Growth (%)**
	Actual 2006-07	**Estimate 2007-08**	
Pellets	3.799	4.740	24.8
Crude Steel	2.652	3.338	25.8
HR Coils	2.155	2.719	26.2
HR Plates	0.182	0.290	59.3
CR Product	0.770	1.092	41.8
Galvanised Coils	0.714	0.704	5.5
Galvalume	-	0.049	
Colour Coated	0.052	0.084	63.

About JSW Steel Limited

The JSW group part of the US $ 4 billion O P Jindal 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 and 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.