



**Press Release**

07.05.2009

**JSW Steel reports net profit (stand-alone) of Rs.49 crores in Q4 '09**

JSW Steel Limited after having reported net loss for the last quarter ended December 2008 has made a turn around and reported a net profit of Rs.49 crores for the quarter ended March 2009. The company announced production cuts temporarily for a short period of time during November and December 2008 and commenced normal operations in Jan'09 and commissioned the 2.8mtpa expansion project taking the total installed capacity to 7.8 mtpa. The innovative marketing strategies and the competitive advantages in terms of conversion cost, product mix and locational advantages made the Company to achieve 24% & 49% growth sequentially in volume of production and sales respectively.

In spite of global melt down, the impact of which was felt particularly in the second half of fiscal 08-09, the Company reported a production and sales volume of 0.966 Mn tonnes & 1.062 Mn tonnes respectively. The Company achieved highest ever volume of production and sales during the fourth quarter, if the production and sales of 1,40,000 tons and 76,000 tons, respectively, from trial operations from expansion project, is included to the volumes from existing operations. For the Financial Year ended 31<sup>st</sup> March 2009, the production and sales volume was 3.724 million tons and 3.428 million tons, respectively.

A handwritten signature in black ink, consisting of a large, stylized letter 'A' followed by a smaller, cursive flourish.

## Operational Performance

The Break-up of sales and production volumes is as under:

	( Million MT )				Growth %	
	Q 4 FY 09	Q4 FY 08	FY 09	FY 08	Q on Q	Y on Y
	<b>Production:</b>					
Crude Steel	0.966	0.993	3.724	3.627	-3%	3%
<b>Sales:</b>						
Semis	0.110	0.123	0.542	0.291	-10%	86%
HR Coils/Plates	0.525	0.556	1.599	1.962	-6%	-19%
Rolled: Long	0.096	0.081	0.293	0.291	19%	1%
Value added products	0.330	0.249	0.994	0.861	32%	15%
<b>Total Saleable Steel</b>	<b>1.062</b>	<b>1.009</b>	<b>3.428</b>	<b>3.405</b>	<b>5%</b>	<b>1%</b>

The Company has taken various strategic initiatives in the current quarter as listed below, to improve its volumes and profitability, which had helped the Company to improve the performance.

- ❖ Restored normal operation in January 2009, following temporary production cut back in November 2008
- ❖ Shifting focus on domestic markets;
- ❖ Dilution of Inventory leveraging the robust rural demand through JSW Shoppe and Dealer network
- ❖ Reduction in cost by over 40%.

The cost reduction initiatives include increased use of captive coke to 99%, lower fuel consumption & fluxes usage in Iron making units, improvement in LD gas recovery in Steel Making, increase in utilization of corex & blast furnace gases, commissioning of 200 tph boiler leading to increase in captive power generation and reduction of calcium carbide usage in steel making by substituting with Lime.

## Financial Performance

The net sales for the fiscal year 2008-09 stood at Rs. 14,001 crores, showing a growth of 23% over the previous year. The increase in net sales is accounted by a growth of 1% in the volume of saleable steel and higher blended sales realization of 20%. The Company could not maintain its margins in spite of growth in volume and higher realization as the cost of production has in fact gone up by 49%. This led to a drop of 8.5% in the EBIDTA margin which stood at 21.8% for the year ended March 2009. The flight of capital from equity markets following the turmoil in financial markets put pressure on currencies including Indian rupee. The steep depreciation of rupee by 27.5% during the year resulted into a net foreign exchange loss of Rs.790 crores.

The standalone Company Turnover, EBIDTA and Net Profit for the Quarter and Fiscal 2009 was Rs. 3,519.83 Crores, Rs. 503.40 Crores and Rs. 49.20 Crores and Rs.15,179.29 Crores, Rs.3,092.67 Crores and Rs.458.50 Crores, respectively, after considering exceptional item of foreign exchange gains / losses of Rs. 17.83 Crores and Rs. 790.13 Crores, respectively.

The Company's debt gearing was at 1.24 (as against 0.93 as on 31.3.2008). The weighted average cost of debt was at 8.22% (up from 7.34%).

The Company has reported a consolidated Turnover, EBIDTA and Net Profit of Rs. 17,112.88 crores, Rs. 3,253.50 crores & Rs. 274.91 crores respectively after incorporating the financials of subsidiaries, joint ventures and associates. The net profit for the consolidated Company is lower at Rs. 274.91 crores compared to Rs. 458.50 crores in the stand alone Company mainly due to writing down inventory and demand contraction in USA and UK. The consolidated debt gearing was at 1.79.



## Key Developments

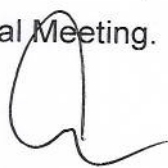
- Restoration of production to normal levels during the current quarter by restarting the two furnaces temporarily shut down in Q3 '09;
- Successful completion of 2.8 MTPA expansion project at Vijayanagar works in Feb. '09, enhancing the overall crude steel capacity of the Company to 7.8 MTPA;
- Implementation of new Hot Strip Mill with 5 MTPA capacity to be completed in two phases, the first phase of which is expected to be completed by March 2010.
- Further expansion of crude steel capacity by 3.2 MTPA to scale up the overall capacity to 10 MTPA at Vijayanagar works, construction is in progress and is expected to be completed by 31 March 2011;
- All other green field projects to be taken up at appropriate time on achieving financial closure and on recovery of market conditions.

## Dividend

The Board has, subject to the approval of the Members at the ensuing Annual General Meeting, recommended dividend:

- of Rs.1 per share on 27,90,34,907, 10% cumulative redeemable preference shares of Rs.10 each of the Company, for the year ended 31.03.2009; and
- of Rs.1.10 per share on 99,00,000, 11% cumulative redeemable preference shares of Rs.10 each of the Company, for the year ended 31.03.2009.

The Board has also, considering the Company's performance and financial position for the year under review , recommended dividend at Rs.1 per equity share on the 18,70,48,682 equity shares of Rs. 10 each of the Company for the year ended 31.03.2009, subject to the approval of the members at the ensuing Annual General Meeting.



Together with the corporate tax on dividend, the total outflow on account of equity dividend is Rs. 21.89 crores, vis-à-vis Rs. 306.37 crores paid for fiscal 2007-08.

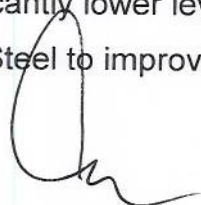
### **Outlook**

The opinion of optimists “ The worst is over” is gaining momentum based on the latest release of data points on leading indicators of various countries. While the pace of contraction is slowing in advanced countries, the emerging economies showing signs of recovery. Even though the recovery may be slow or gradual, the sentiment is turning positive. Current global crisis, inspite of creating devastating impact on global economy, have been combated through swift coordinated actions by Governments/Central banks with the announcement of massive stimulus packages and easing of monetary policies by using unconventional tools. These measures are expected to increase the infrastructure spend which is positive for Steel Industry.

India and China continues to be torch bearers in this depressed environment still showing a positive GDP growth. India, less impacted by global crisis, in view of healthy financial system, started its march towards high growth trajectory with early signs of recovery in core sectors. Large outlays are proposed to be earmarked for building physical and social infrastructure in India.

The apparent consumption exceeding the crude steel production world wide establishes the fact that the de-stocking cycle is coming to an end. The International Steel Prices are stable and the signs of revival in demand are strong.

In these circumstances, JSW Steel with rich product mix and low conversion cost will be in a position to enhance its market share by accessing robust rural domestic demand. The reset of long term coking coal and iron ore contract prices at significantly lower levels in the fiscal year 2009-10 will be an added advantage to JSW Steel to improve its margins even in the scenario of stable steel prices.



## Guidance

The Company targets to produce the following volumes for FY 2009-10.

(Million tons)

Products	FY 08-09 Actual	FY 09-10 Estimates	Growth
<b>Production :</b>			
<b>Billets / Blooms / Slabs</b>	<b>3.72</b>	<b>6.40</b>	<b>72%</b>
<b>Saleable Steel</b>			
<b>Semis</b>	<b>0.54</b>	<b>0.92</b>	<b>70%</b>
<b>Rolled – Long</b>	<b>0.29</b>	<b>1.54</b>	<b>431%</b>
<b>Rolled- Flat</b>	<b>2.59</b>	<b>3.64</b>	<b>41%</b>
<b>Total</b>	<b>3.43</b>	<b>6.10</b>	<b>78%</b>

## About JSW Steel Limited

JSW Steel Ltd., belonging to JSW group, part of the US \$ 8 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, Port facilities, Aluminium, Cement and Information Technology. JSW Steel Limited is engaged in manufacture of flat and long products viz. H R Coils, C R Coils, Galvanised products, auto grade / white goods grade CRCA Steel, Bars and Rods. Incorporated in 1994, it has grown to US \$ 3 billion in little over a decade. JSW Steel Limited has the largest galvanizing and colour coating 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. The company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the company.*

