

Press Release Q2 09-10

23.10.2009



### JSW Steel reports 42% growth in Net Profit (stand alone)

JSW reported a net profit of Rs.451.54 crores showing a growth of 42% over the corresponding quarter of the previous year, due to impressive growth in volumes and reduction in cost of production.

The Company achieved a significant volume growth of 54% in crude steel production and 74% in saleable steel during the current quarter, compared to that of corresponding quarter of the previous year. The Company also showed growth of 12% and 10% sequentially in volume of production and sales respectively.

The key performance highlights are as under:

	Q2 FY 10 Vs Q2 FY 09
➤ Volume growth (Crude Steel Production):	54%
➤ Saleable Steel sold :	74%
➤ Net sales :	7%
➤ EBIDTA :	3%
➤ Profit after tax :	42%
➤ EPS (Diluted) :	43%
➤ Net Long term Debt gearing (Standalone):	1.10



### Operational Performance:

The Crude Steel production during the current quarter has surpassed 1.5 million tonnes mark, the highest ever quarterly production achieved by the Company. The Saleable Steel has also reached the highest levels during the quarter.

During first half of current fiscal, the Company's Crude Steel Production & Saleable Steel volumes have been 2.917 Million tonnes & 2.775 Million tonnes, which is around 45% of the volume guidance of 6.4 Million tonnes & 6.1 Million tonnes, respectively, for FY 2010. The current trends coupled with positive outlook for second half, indicate strong prospects of the volumes reaching closer to the guidance levels for the year.

The sales in the domestic market constitutes 79% of the total sales for current quarter as against 62% in the corresponding quarter of previous year which is in line with company's strategy of increased focus in the local market. This has been aided by higher sales through JSW Shoppe. The Retail Sales through Shoppe accounted for 14% of domestic sales excluding semis. Value added products sales volumes also went up during the quarter.

The various cost reduction initiatives taken by the Company, such as, reduction in fuel consumption, lower usage of fluxes, higher captive power generation, increase in utilization of Corex Gas and usage of Gas from the Recovery type Coke Ovens, etc., along with lower input costs lead to reduction in blended cost of production by 41% over corresponding quarter.

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

Products	( Million tonnes )		( Million tonnes )		Growth %	
	Q2 FY10	Q2 FY09	H1 FY10	H1 FY09	Q2	H1
<b>Production:</b>						
- Crude Steel	1.541	1.001	2.917	1.976	54%	48%
<b>Sales:</b>						
- Semis	0.405	0.203	0.716	0.372	100%	92%
- Rolled: Flat	0.870	0.582	1.725	1.166	49%	48%
- Rolled: Long	0.179	0.052	0.334	0.117	245%	184%
<b>Total Saleable Steel</b>	<b>1.454</b>	<b>0.837</b>	<b>2.775</b>	<b>1.655</b>	<b>74%</b>	<b>68%</b>

**Financial Performance:**

The Gross Turnover and Net Sales for the quarter stood at Rs. 4,839.32 Crores and Rs. 4,553.88 Crores, respectively, showing a growth of 5% and 7% over the corresponding quarter of previous year, mainly driven by volumes in spite of lower realizations. The EBIDTA for the quarter was Rs.1,168.46 Crores and the EBIDTA margin for the quarter was 25.5% as against 26.3% in the corresponding quarter.

The Company posted a Profit after Tax of Rs.451.54 crores up 42% over corresponding quarter.

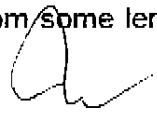
The Company's net long term debt gearing was at 1.10 (as against 1.17 as of 30<sup>th</sup> June 2009) and the weighted average interest cost was lower at 7.85% (as against 8.23% as at end June '09).

The Company reported Consolidated Gross Turnover, EBIDTA and Profit after Tax of Rs.5,015.11 Crores, Rs.1,076.58 Crores and Rs.322.75 Crores, respectively, after incorporating the financials of subsidiaries, joint ventures and associates.

The consolidated net long term debt gearing was at 1.60 (vis-a-vis 1.67 as on 30.06.2009).

Following the unprecedented global crisis in September 2008, the financial performance of the Company in the second half of fiscal 2008-09 was significantly lower than estimates. Consequently the Company / some of its subsidiaries were unable to comply with certain financial maintenance and other covenants contained in certain loan agreements. The deviations in adherence to covenants in loan agreements also resulted in non compliance in terms of the Trust Deed executed in connection with the issue of US \$ 325 million Foreign Currency Convertible Bonds in June 2007.

The Company has approached its lenders to obtain waivers of past default with respect to these credit facilities (and, where appropriate, the relaxation of the relevant covenants). The Company has obtained necessary waivers and/or amendments from some lenders and believes it is on track to receive the approvals



from the remaining relevant lenders in due course. In abundant caution, the Trustee for the FCCBs have also been notified detailing the factual position.

It should be noted that (i) the Company / its subsidiaries have not defaulted in any payment obligations in respect of any of its loan agreements, and has continued (and will continue) to meet its principal and interest payment obligations with respect to these loans; and (ii) none of the lenders in question have accelerated or requested to accelerate their loans to the Company, nor does the Company expect them to.

### **Projects:**

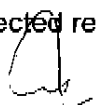
The implementation of state of-the-art new Hot Strip mill and beneficiation plant at Vijayanagar works and blooming mill at Salem works are progressing at a brisk pace to be commissioned in the current fiscal year.

The project execution work is progressing in full swing to expand the crude steel capacity to 10 MTPA and to set up 300 MW Power Plant at Vijayanagar Works, to be commissioned by March 2011.

### **Outlook**

The global economy is showing signs of improvement on reduced systemic risks following unprecedented policy actions. The leading economic indicators depict a global revival, evidenced by improving GDP growth, positive industrial production growth, favorable consumer confidence indices, fall in volatility index, easing liquidity, narrowing TED spreads and buoyant capital markets. With the concerns on global economy subsiding, the sentiments are turning positive.

The global steel production has edged up to 106 million tones in August 2009, the highest level so far in this calendar year. India and China continue to lead the growth driven by strong domestic demand, with steel production running above June 2008 peak levels even though the demand recovery in Europe, North America and Japan is expected to be slow and gradual. The shut down capacities are expected to restart on the back of expected recovery in demand.



Indian steel production seems to be decoupled on strong rural consumption and latent demand. The increased economic activity in infrastructure and construction sectors further enhances prospects of growth in Apparent Steel consumption.

The spot raw material prices for key inputs viz. iron ore and coking coal remained high in spite of correction in steel product prices in the international market. The inventories in Europe and USA have come down. The cost pressure, restocking of inventories and recovery in demand are expected to keep the prices of steel products stable.

### **About JSW Steel Limited**

JSW Steel Limited, belonging to JSW group, part of the 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, Galvalume products, auto grade / white goods grade CRCA Steel, Bars and Rods. Incorporated in 1994, it has grown to US \$ 3.5 billion in a 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 100 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.*

