



Press Release

31.7.2008

## **JSW Steel Limited reports Net Profit of Rs. 219.35 Crores**

The Company achieved a significant volume growth of 22% in crude steel production and 13% in saleable steel, during the current quarter, compared to the corresponding quarter of the previous year. While, the blended net sales realizations went up by 35% over corresponding quarter, the overall blended costs have gone up steeply by 61% due to unprecedented rise in input costs such as Iron Ore, Coal and Coke. Since the rise in sales realization has not kept pace with the steep increase in raw material cost particularly in the domestic market, the adjusted EBIDTA margins dropped by 11.7% to 22.7% as against 34.4% in corresponding quarter of previous year.

The key performance highlights are as under:

	<b>Q1 FY 09 Vs Q1 FY 08</b>	
	<b><u>Growth</u></b>	
➤ Volume growth (Crude Steel Production):	22%	
➤ Saleable Steel sold :	13%	
➤ Net sales :	54%	
➤ EBIDTA Margin (Adjusted) :	22.7%	
➤ Debt gearing (Adjusted) :	1.07	

### **Operational Performance:**

The Company achieved a significant volume growth of 22% in crude steel production during the quarter. However, the volume of saleable steel went up by only 13%, due to captive consumption of around 50,000 MT of plates / sheets / TMT bars for the purpose of internal expansion projects and accretion in stock of around 1,07,000 MT due to bunching of Exports.

The sales volume of rolled products during the quarter was lower relative to corresponding quarter of last year mainly due to shut down of Hot Strip Mill for modernization and captive consumption of rolled products for expansion projects.

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

	<b>( Million MT )</b>		
<b>Products</b>	<b>Q1 FY 09</b>	<b>Q1 FY 08</b>	<b>Growth</b>
<b><u>Production:</u></b>			
- <b>Crude Steel</b>	<b>0.975</b>	<b>0.802</b>	<b>22%</b>
<b><u>Sales:</u></b>			
- <b>Semis</b>	<b>0.168</b>	<b>0.032</b>	<b>419%</b>
- <b>Rolled: Flat</b>	<b>0.582</b>	<b>0.614</b>	<b>-5%</b>
- <b>Rolled: Long</b>	<b>0.067</b>	<b>0.075</b>	<b>-11%</b>
<b>Total Saleable Steel</b>	<b>0.817</b>	<b>0.722</b>	<b>13%</b>

The Company has successfully restarted HSM on 29.06.2008 after modernization at Vijayanagar, increasing the capacity from 2.5 MTPA to 3.2 MTPA, by taking shut down for 17 days, during the quarter.

The Company has successfully commissioned 200 tph Boiler during the quarter, to help increasing the capacity of captive generation of power by around 50 MW.

The Company has also commissioned 1<sup>st</sup> block of 56 Coke Ovens on 27<sup>th</sup> June 2008 (ahead of schedule), out of 4 blocks, which is a part of Expansion Project undertaken by Company, to increase its steel making capacity to 6.8 MTPA.

The various cost reduction initiatives during the quarter, such as reduced use of fluxes, increased LD gas recovery in Basic Oxygen Furnace, improved captive generation of power, reduced water consumption, reduced coke consumption in Blast Furnace by improving coal dust injection, etc., has helped to set off partly the soaring raw material costs.

**Financial Performance:**

The net Sales for the quarter stood at Rs. 3,671.49 Crores, showing a growth of 54% over the corresponding quarter of previous year. The adjusted EBIDTA margin for the quarter is 22.7% as against 34.4% in the corresponding quarter of the previous year, lower mainly due to continuous rise in input costs. The Company posted Net Profit of Rs.219.35 crores.

Due to depreciation of rupee, the exchange difference charged to P & L account for the quarter comprising of unrealized exchange loss amounted to Rs.311.44 crores on restatement of foreign currency borrowings, current liabilities and foreign currency convertible bonds compared to unrealized exchange gain of Rs.96.51 crores for the corresponding quarter of previous year.

While the Company's adjusted debt gearing was at 1.07 (up from 0.93 as of 31<sup>st</sup> March 2008) due to draw down of loans to meet accelerated capex programs, during the quarter, weighted average interest cost was at 7.63% compared to 7.59% as on 31<sup>st</sup> March '08.

The Company has reported Consolidated Turnover, EBIDTA and Net Profit of Rs.4,456.15 Crores, Rs.843.62 Crores and Rs.250.23 Crores, respectively, after incorporating the financials of subsidiaries, joint ventures and associates. The Net Profit for the consolidated Company is higher by around Rs. 31 Crores over the Net Profit of the stand alone Company mainly due to turnaround in the US Plate & Pipe Mill operation. Unrealized profits attributable to incremental inventory related to inter company sales is Rs.19 Crores.

The consolidated adjusted debt gearing was at 1.65 considering the loans raised by the Company for acquiring Mining rights in Chile and plate and pipe Mill in USA.

## **Key Developments**

### **1. JSW Steel ranked as 8<sup>th</sup> among the top world class Steel Makers:**

The World Steel dynamics has upgraded the Company's ranking from 9<sup>th</sup> to 8<sup>th</sup> position in the reports released during June 2008, with an weighted average aggregate score of 7.45 on a scale of 10 taking into account 23 different parameters. This once again demonstrates the inherent strength and competitive position of JSW Steel Limited.

### **2. Setting up of 6 MTPA Pellet Plant at Salboni, West Bengal:**

As a part of the over all implementation of 6 MTPA Steel plant at West Bengal, initially the Company proposes to set up a beneficiation plant of 8 MTPA capacity & Pellet plant with a pellet out put of 6 MTPA at an estimated cost of Rs.4000 crores. This phase of the project also includes an investment of Rs.800 crores on coal mining and development and 65 KM pipeline for 75 MGD water supply. On commissioning of this project, the Company will have an established coal, pellet supply and water availability, which are the key ingredients for steel making. This project is expected to be commissioned by FY 2012. JSW Steel will be investing in the equity of JSW Bengal Steel Ltd. amounting to Rs.1322 crores to implement the project and balance will be raised through debt by JSW Bengal Steel.

### **3. Development of iron ore mines in Bellevista-La Cuca, Chile:**

Following acquisition of 70% equity in Santa Fe Mining, Chile the Company has taken strides to develop integrated iron ore mine in Bellevista-La Cuca sector in Bellevista Project, Region-III, Chile.

The professional services of SRK Consulting (Chile) S.A. (SRK), a Chilean arm of the internationally acclaimed "The SRK Group", was engaged to perform a mineral resource estimation and categorization according to the JORC (joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy) criteria of the Bellevista-LaCuca sector iron deposit, as well as the adjoining Rebote sector iron deposit of Bellevista Project of Santa Fe Mining and to prepare a technical report for each deposit.

Based on drilling of 13,701 meters in 59 boreholes over an surface area of approximately 60 hectares at Bellevista-LaCuca sector till May 2008, and 5668 metres of drilling in 22 boreholes over an surface area of approximately 70 hectares at Rebote sector till June 2008 duly supported by aerial & ground magnetic survey, satellite imagery data, ground geological mapping and laboratory chemical analysis data of iron ore samples, SRK has submitted two technical reports; May 23, 2008 (Bellevista-LaCuca sector) and June 13, 2008 (Rebote) outlining the Iron ore body model and mineral resource classification and mineral resource statement. The modeling, geostatistical analysis, mineral resources estimation and classification for both the iron deposit sectors have been estimated by SRK in conformity with generally accepted JORC guidelines. The exploration campaign in the remaining sectors of Bellevista project is in progress under the supervision of SRK.

Estimated mineral resource statements of SRK indicates a total of 814.70 million tons of insitu resources with average Fe total content of 10.41% in Bellevista-LaCuca sector, and a total 675.32 million tons of insitu resource with average Fe total content of 12.41% in Rebote sector. The terrain being a mountain ridge and boreholes so far drilled from the mountain surface up to a maximum vertical depth of 260 meters, the resource so estimated restrict only up to that depth. The mineralization pattern suggests that the mineralized structure extend well below the zone so far explored.

Based on the above findings of SRK, Santa Fe Mining has initiated pre-construction activities to develop integrated iron ore mine in Bellevista-LaCuca sector so as to excavate run-of-mine ore by end of this year 2008. Concurrent efforts are in full swing to set up eco-friendly beneficiation plant near to the mining site to produce saleable iron ore having "Fe-total' content + 63%, expected to be commissioned by December 2009.

Development of mega port at Caldera port town, located at a distance of about 75Km from the mine site, is also progressing as per plan so as to be in readiness for handling enhanced exportable iron ore from the project.

### **Outlook**

The tightness in debt capital market, sagging equity capital markets, surging oil prices, rising food and commodity prices and spiraling inflation across the world, are expected to have some dampening effect on the world economic growth. However, the strong fixed asset investments in construction, other sectors such as capital goods sector, growing industrial sector and infrastructure spending in emerging economies, are expected to support the secular trend growth momentum and generate demand for Steel.

The global apparent steel consumption is estimated to grow at a CAGR of 6.2% between 2007 and 2009. With capacity additions not keeping pace, the demand is clearly outpacing the supply, leading to high finished steel prices and low inventory levels, on account of supply shortages.

Tight supply of key raw materials such as Coal (considerable volumes lost due to Queensland floods) and Coke (reduction in China's export quota) together with record high freight rates, have led to super cost push of input costs and the cost of steel production has touched historical high levels.

The international prices of steel products as a consequence of above factors are rising in sympathy with the increase in the cost of inputs. The strong demand growth for steel products across the world and the surging input costs will further push up the international steel prices.

The domestic demand for steel products continues to be buoyant considering large pipeline of committed investments in India. Import of steel products is becoming unattractive due to higher international prices relative to domestic prices. As a result, there is a strong demand for domestic steel products, which will benefit the domestic steel industry. The Company will be in an advantageous position with its enhanced capacity of 2.8 MTPA coming up on stream in Sept. 2008.

**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 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.*