Delivering Growth in Challenging Times
Agenda

• Global Economy
• Steel Scenario
• JSW Steel
• Performance highlights
• Project Status
• Way Forward
Global Economy

TED Spread (LIBOR-UST)
Higher spread indicates low liquidity in the system

Bank CDS Spreads - U.S.

Excess Liquidity
Credit Risk Appetite high

Liquidity Crunch
Risk Aversion

Freeze on Credit

TED spread is the difference between the interest rates on interbank loans and short-term U.S. government debt ("T-bills").

CDS: Credit Default swap

Sources: IMF
Global Stock Indices fall

<table>
<thead>
<tr>
<th>Country</th>
<th>% change in $ Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (Nikkei 225)</td>
<td>-31.2</td>
</tr>
<tr>
<td>United States (DJIA)</td>
<td>-35.5</td>
</tr>
<tr>
<td>Singapore (STI)</td>
<td>-41.8</td>
</tr>
<tr>
<td>Hong Kong (Hang Seng)</td>
<td>-42.2</td>
</tr>
<tr>
<td>Germany (DAX)</td>
<td>-44</td>
</tr>
<tr>
<td>Britain (FTSE 100)</td>
<td>-44.6</td>
</tr>
<tr>
<td>Brazil BVSP</td>
<td>-53.1</td>
</tr>
<tr>
<td>India (BSE)</td>
<td>-56.7</td>
</tr>
<tr>
<td>Russia (RTS)</td>
<td>-65.6</td>
</tr>
<tr>
<td>China (SSEB)</td>
<td>-69.6</td>
</tr>
</tbody>
</table>

Global Stock Indices witness still fall from Jan 08 to 17th Oct,08

Notwithstanding cooling of their momentum, emerging economies are expected to provide the source of resilience through productivity growth and policy framework- IMF

BRIC GDP Growth (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2007</th>
<th>2008(E)</th>
<th>2009(E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>3.8</td>
<td>5.4</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>7.4</td>
<td>8.1</td>
<td>7</td>
<td>5.5</td>
</tr>
<tr>
<td>India</td>
<td>9.8</td>
<td>9.3</td>
<td>7.9</td>
<td>6.9</td>
</tr>
<tr>
<td>China</td>
<td>11.6</td>
<td>11.9</td>
<td>9.7</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Sources: IMF, Bloomberg
Swift Co-ordinated Intervention by Central Banks.

- Injection of Liquidity
- Revision in Policy Rates
- Providing Capital
- Fast Recovery due to swift action
- Easing of Liquidity
- Lower Credit Spreads/LIBOR
India – Govt. /RBI Measures to Combat Financial Crisis

Like its counterparts in U.S. and Europe, India too responds with swift measures.

- **CRR**: Decreased by 250 bps from 9% to 6.5%
- **SLR**: Relaxation in borrowing by banks by 1.5% of NDTL
- **REPO**: Hike in interest rates by 50 bps
- **FCNR(B) & NR(E)**: Agriculture debt waiver Rs. 25000 crore released.

**Measures by Central Bank**

**Span: 35 days**

(From Sep 16, 08 to Oct 20, 08)

Sources: RBI
Steel Prices fall .. and so do Raw material prices..

Impact of falling Steel prices partially mitigated by falling Raw Material prices.

Baltic Dry Index

Raw Material Prices

Source: IISI/SSB
Price fall unlikely to continue

Chinese-HRC domestic prices

September 2008
Marginal cost ($565)

March 2008
Marginal cost ($542)

2007 Marginal cost ($297)

Chinese HRB domestic prices are trading below the marginal cost ($565) of average cost producers.

Sources: WSD
Steel Industry Response

- Supply side Discipline - Annualized production cut of 77 MnT announced
- Capacity shut down by high cost producers
- Cost optimization

Balance in Demand/Supply resulting in stable price scenario
China...increasing focus on domestic consumption

As Chinese GDP remains Consumption and Investment driven, incremental steel demand of 40-50mtpa will cap Chinese net exports to ~7% of global (ex-China) steel consumption.

Current A/c balance and Forex Reserves (USD bn)

Foreign reserves accumulation breaks new records

No pressure to Increase Export. Huge opportunity for higher investment.

Sources: National Bureau of statistics, China
China ... increasing focus on domestic consumption

Chinese Infrastructural spending plans (XI FYP)

- Total Spending on Infrastructure (USD bn)
- Implied Steel Consumption in MnT

With growing urbanisation... Steel consumption to remain strong.

With the growing urbanisation... Steel demand continue to be robust.

Sources: National Bureau of statistics, China
Indian Steel Demand to sustain

Production Vs. Consumption

<table>
<thead>
<tr>
<th></th>
<th>Apr-Sep 07</th>
<th>Apr-Sep 08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>26.494</td>
<td>26.856</td>
</tr>
<tr>
<td>Consumption</td>
<td>27.63</td>
<td>28.53</td>
</tr>
</tbody>
</table>

Growth 4.3%  Growth 6.2%

India Infrastructure Investment (FY07-12)

- Energy: 160.4
- Roads and bridges: 78.1
- Railways: 62.2
- Telecommunication: 65.1
- Storage and gas: 10.5
- Irrigation: 2
- Ports: 1
- Water supply and sanitation: 48.6
- Airports: 8.5

Total Investment in 11th plan = US$ 492Bn.
Annual investment: US$ 100Bn

Government targets US$ 1.5 Trillion Infra spend over the next decade

Slower GDP growth of 6 to 8% translates to 8 to 10% growth in Steel Consumption

Source: JPC/IESI
JSW Steel: Competitive Advantages

- Flexible product mix
- Low conversion cost
- Location advantage
- Low specific Investment cost
- Customer loyalty
- Diversified market presence
Global Crisis – Impact and Combat

Cost v/s. Margin

Falling Margins

Price Fall

Rs. 10,600/ton

Cost Reduction Initiatives
Cost Optimization Measures

Lower Raw Material Prices
- Iron Ore
- Ferro Alloys

Optimization of Input Blend
- Change in Corex coal blend
- Hard Coking to Soft Coking/Anthracite
- Higher Scrap usage

Efficiency
- Yields
- Power
- Ferro Alloys
- Administration overhead
- Stores & Spares
- Others

Plan to Remain Profitable
Performance Highlights....
## Highlights YoY

<table>
<thead>
<tr>
<th>Particular</th>
<th>Q2 FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume: Crude Steel Production</td>
<td>14 %</td>
</tr>
<tr>
<td></td>
<td>: Saleable Steel</td>
</tr>
<tr>
<td>Net Sales</td>
<td>58 %</td>
</tr>
<tr>
<td>Blended: Sales Realisation</td>
<td>58 %</td>
</tr>
<tr>
<td></td>
<td>: Cost of Production</td>
</tr>
</tbody>
</table>

Adj. EBITDA Margin 21.3 %
EBITDA Rs. 1133 Cr.
Net Profit Rs. 317 Cr.

Weighted Average Cost of Borrowings 8.35 %
Production – Q2 FY09

A) Shutdown of long products mill for 17 days in July ’08 for automation to achieve better productivity and quality

B) Stabilization of Hot Strip mill at Vijayanagar works subsequent to modernization and capacity enhancement
Saleable Steel Sales – Q2 FY09

**Semis**
- Q2 '08: 0.045
- Q2 '09: 0.203
- Increase: 347%

**Rolled: Flat**
- Q2 '08: 0.697
- Q2 '09: 0.582
- Decrease: -16%

**Rolled: Long**
- Q2 '08: 0.065
- Q2 '09: 0.052
- Decrease: -20%

**Total Sales**
- Q2 '08: 0.807
- Q2 '09: 0.837
- Increase: 4%

Excess Semis available for sale due to lower Rolled products production.
Sales Realisation Vs Cost of Production – Q2 FY09

Blended Realisation

- **Q2 '08**: 29,390
- **Q2 '09**: 46,569

**Change:** 17,180,58% (YoY %)

Blended Cost

- **Q2 '08**: 19,509
- **Q2 '09**: 36,198

**Change:** 16,689,86% (YoY %)
Raw Material Price Movements

**Coke Purchased**

<table>
<thead>
<tr>
<th></th>
<th>Rs / T</th>
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</thead>
<tbody>
<tr>
<td>Q2 '08</td>
<td>12924</td>
</tr>
<tr>
<td>Q2 '09</td>
<td>24667</td>
</tr>
</tbody>
</table>

Impact on Cost: Rs. 2,236 / t CS
- VE 

**Iron Ore Fines**

<table>
<thead>
<tr>
<th></th>
<th>Rs / T</th>
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</thead>
<tbody>
<tr>
<td>Q2 '08</td>
<td>1646</td>
</tr>
<tr>
<td>Q2 '09</td>
<td>2665</td>
</tr>
</tbody>
</table>

Impact on Cost: Rs. 1,593 / t CS
- VE

**China FOB ($)**

<table>
<thead>
<tr>
<th></th>
<th>FY08</th>
<th>FY09</th>
<th>% CH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>262</td>
<td>708</td>
<td>170%</td>
</tr>
</tbody>
</table>

**China CFR ($)**

<table>
<thead>
<tr>
<th></th>
<th>FY08</th>
<th>FY09</th>
<th>% CH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>137</td>
<td>159</td>
<td>16%</td>
</tr>
</tbody>
</table>
Operating Parameters

Fluxes Consumption – BF (Vijayanagar Works)

Kg/t CS

<table>
<thead>
<tr>
<th></th>
<th>Q2 '08</th>
<th>Q2 '09</th>
</tr>
</thead>
<tbody>
<tr>
<td>122.9</td>
<td>76.9</td>
<td></td>
</tr>
</tbody>
</table>

37% decrease

LD Gas Recovery (Vijayanagar Works)

Kg/t CS

<table>
<thead>
<tr>
<th></th>
<th>Q2 '08</th>
<th>Q2 '09</th>
</tr>
</thead>
<tbody>
<tr>
<td>122.9</td>
<td>76.9</td>
<td></td>
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</table>

27% increase

Impact on Cost:

<table>
<thead>
<tr>
<th></th>
<th>Rs. 14 / t CS</th>
<th>Rs. 1.2 Cr.</th>
</tr>
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<td>+ ve</td>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Rs. 18 / t CS</th>
<th>Rs. 1.5 Cr.</th>
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<td>+ ve</td>
<td></td>
<td></td>
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</tbody>
</table>
Operating Parameters

Captive Power Consumption (Vijayanagar Works)

Impact on Cost:
- Rs. 67 / t CS (Q2 '08)
- Rs. 5.6 Cr. (Q2 '09)

+ve
## Summary Standalone

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY 09</th>
<th>Q2 FY 08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>4,620.33</td>
<td>2,980.38</td>
</tr>
<tr>
<td><strong>EBITDA before exceptional items</strong></td>
<td>1132.92</td>
<td>929.30</td>
</tr>
<tr>
<td><strong>Operating EBITDA</strong></td>
<td>917.26</td>
<td>802.97</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>471.09</td>
<td>767.85</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>317.45</td>
<td>534.19</td>
</tr>
<tr>
<td><strong>EPS: Diluted</strong></td>
<td>16.52</td>
<td>28.54</td>
</tr>
</tbody>
</table>
Operating EBITDA Analysis

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY 08</th>
<th>Q2 FY 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (Rs. Cr.)</td>
<td>929.30</td>
<td>1132.92</td>
</tr>
<tr>
<td>Forex Gain</td>
<td>35.68</td>
<td></td>
</tr>
<tr>
<td>Forex Loss</td>
<td></td>
<td>(215.66)</td>
</tr>
<tr>
<td>One time income</td>
<td>(162.01)</td>
<td></td>
</tr>
<tr>
<td>Op. EBITDA (Rs. Cr.)</td>
<td>802.97</td>
<td>917.26</td>
</tr>
<tr>
<td>Op. EBITDA (%)</td>
<td>31.0%</td>
<td>21.3%</td>
</tr>
</tbody>
</table>
## Operational Performance - USA

<table>
<thead>
<tr>
<th></th>
<th>Production (NT)</th>
<th>Sales (NT)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 FY09</td>
<td>Q2 FY09</td>
</tr>
<tr>
<td>Plate Mill</td>
<td>143,077</td>
<td>109,066</td>
</tr>
<tr>
<td>Pipe Mill</td>
<td>66,431</td>
<td>34,931</td>
</tr>
</tbody>
</table>
### Financial Performance – USA

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY 09</th>
<th>Q1 FY 09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>165.18</td>
<td>217.50</td>
</tr>
<tr>
<td><strong>EBITDA + Other Income</strong></td>
<td>29.70</td>
<td>44.92</td>
</tr>
<tr>
<td></td>
<td>17.98%</td>
<td>20.65%</td>
</tr>
<tr>
<td><strong>Profit Before Tax</strong></td>
<td>11.38</td>
<td>25.82</td>
</tr>
<tr>
<td><strong>Profit After Tax</strong></td>
<td>9.63</td>
<td>17.69</td>
</tr>
</tbody>
</table>
## Financial Summary Q2 FY 08-09 (Consolidated)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Q2 FY 08</th>
<th>Q2 FY 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Income</td>
<td>2779.88</td>
<td>4,684.10</td>
</tr>
<tr>
<td>EBITDA</td>
<td>923.82</td>
<td>1,202.20</td>
</tr>
<tr>
<td>PBT</td>
<td>760.82</td>
<td>422.17</td>
</tr>
<tr>
<td>PAT</td>
<td>516.20</td>
<td>252.44</td>
</tr>
</tbody>
</table>

**Unrealised contribution on incremental inventory:** Rs. 110 Cr. for Q2 09 and nil in Q2 08
3.8 to 6.8 MT
Project Progress
Project Cheetah: Project Status

**BOF-CCP**
Integrated trials in the pipeline

**Coke Oven**
2 Batteries successfully commissioned

**Blast Furnace**
Stoves already lighted up

**Wire Rod Mill**
Furnace Lighted up

**Sinter Plant**
Commissioned in Aug. 08
Ready to feed Blast Furnace

**Bar Rod Mill**
Equipment Erection under progress

**LCP**
Lime Calcinations Plant commissioned, under stabilization

**Long Products**
Recovery Coke Oven
Blast Furnace # 3
SMS #2
SMS #2 (Control Room)
Bar Mill
Bar Mill (Contd.)
Wire Rod Mill
Project Progress: Downstream

- **CSD Galvalume Conversion – (Completed)**
  
  CSD shut down for Galvalume modification completed. Line commissioned on 21st August 08.

- **New Color Coating Line (Completed)**

  The new color coating line is commissioned on 15th August 08 against target of end September 08.

- **30 MW Power Plant**

  Project progressing briskly. Commissioning exp. by end Dec-08

- **Railway siding at Vasind**

  Project is scheduled to be completed by end Dec-09
Awards & Recognitions

- **CII National Energy Management Award 2008:**
  Excellent Energy Efficient Unit by CII (Aug 2008).

- **Greentech Environment Excellence Award 2008:**
  Gold award in metal and mining sector for outstanding achievement in Environment Management (6th Sep 2008, Goa).
Way Forward...

Sustainable GROWTH...
...Creating VALUE

- Consolidate position in domestic steel industry with focus on enhancing capacities at competitive cost.
- 32 MTPA by 2020
- Expand Global Presence with Value addition closer to market.
- Diversified Product Profile
- Raw Material Integration
- Market Share
- Strong Financials

Enhance Value through Rich Product mix.
Raw material integration to protect from cost fluctuations.
Achieve significant position in domestic market.
Strong financials to support Growth.
Q & A Session...
Forward Looking and Cautionary Statement

Certain statements in this report 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 risk 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 the Company has made strategic investments, withdrawal of fiscal/governmental incentives, impact of regulatory measures, 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.