



**JSW posts Net Profit of Rs. 317.45 Crores
in Q2 FY 08-09**

The Company achieved volume growth of 14% in crude steel production and 4% 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 58% over corresponding quarter, the overall blended costs have gone up steeply by 86% due to continued rise in input costs. Since the rise in net sales realization was not in parity with the steep increase in input costs, which has touched historic high levels, the adjusted EBIDTA margins dropped by around 9.7% to 21.3% as against 31.0% in corresponding quarter of previous year.

The key performance highlights are as under:

		Q2 FY 09 Vs Q2 FY 08	
		<u>Growth</u>	
➤ Volume growth (Crude Steel Production):		14%	} ↑
➤ Saleable Steel	:	4%	
➤ Net sales	:	58%	
➤ EBIDTA (before exceptional items)	:	22%	
➤ EBIDTA Margin (Adjusted)	:	21.3%	
➤ Net Profit	:	Rs.317.45 crores	
➤ Long Term Debt gearing (Adjusted)	:	1.15	

Operational Performance:

The Crude Steel production during the current quarter has surpassed 1 Million MT mark, the highest ever production achieved by the Company. Though the volume growth in production, during the quarter, is impressive at 14%, the saleable steel grew by only 4%, due to captive consumption of around 46,000 MT of plates / sheets / TMT bars for internal expansion projects and accretion in stock by 92,000 MT consequent to sluggish market conditions world over.


The sales volume of rolled products during the quarter was lower relative to corresponding quarter of last year mainly due to shut down of Long Products Mill at Salem works for automation to achieve better productivity & quality and stabilization of Hot Strip Mill after modernization at Vijayanagar works.

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

Products	(Million MT)				Growth %	
	Q2 FY 09	Q2 FY 08	H1 FY 09	H1 FY 08		
Production:						
- Crude Steel	1.001	0.876	1.976	1.678	14%	18%
Sales:						
- Semis	0.203	0.045	0.372	0.078	347%	379%
- Rolled: Flat	0.582	0.697	1.165	1.311	-16%	-11%
- Rolled: Long	0.052	0.065	0.117	0.141	-20%	-16%
Total Saleable Steel	0.837	0.807	1.655	1.529	4%	8%

The Company has successfully commissioned Sinter Plant, two blocks of Coke Oven Batteries together with related Raw Material Handling facilities and Utilities, during the current quarter, which are part of the Expansion Project undertaken by the Company at Vijayanagar works, to increase its steel making capacity from 3.8 MTPA to 6.8 MTPA.

The Company has also successfully commissioned second Colour Coating Line of 0.132 MTPA capacity at Tarapur Works, taking the overall capacity of Colour Coating production to 0.232 MTPA, the largest in the Country.



The company has been taking initiatives to improve operational efficiency to remain one of the lowest conversion cost producers in the world

Financial Performance:

The net Sales of Rs. 4,269.21 Crores for the quarter grew 58% over the corresponding quarter of previous year. The EBIDTA of Rs.1132.91 Crores before exceptional items (Forex translation losses) was also up by around 22% compared to the corresponding quarter. However, the Net Profit of Rs.317.45 Crores, during the quarter, was comparatively lower by 41%, mainly due to exceptional item comprising of foreign exchange translation losses.

Due to depreciation of rupee, the exchange difference of Rs.268.35 Crores has been charged as an exceptional item to P & L account for the quarter, compared to foreign exchange gain of Rs.75.91 crores for corresponding quarter of previous year.

The standalone Company Turnover, EBIDTA and Net Profit for the half year ended 30th September, 2008 was Rs.8,604.12 (including Excise Duty), Rs.1807.30 (including Other Income) and Rs.536.80 Crores (after considering exceptional item of cumulative foreign exchange losses of Rs.631.13 Crores), respectively.

The Company's adjusted debt gearing was at 1.15 and the weighted average interest cost at 8.35% (up from 7.63%, as on 30th June '08), due to increase in interest rates.

The Company has reported Consolidated Turnover, EBIDTA and Net Profit of Rs.4,992.54 Crores, Rs.937.87 Crores and Rs.252.44 Crores, respectively, for the quarter, after incorporating the financials of subsidiaries, joint ventures and associates. The Net Profit for the consolidated Company is lower by around Rs. 65 Crores over the Net Profit of the stand alone Company mainly due to unrealized profits of Rs. 110 Crores attributable to incremental inventory related to inter company sales.



Key Developments

The Company is in the process of commissioning the next phase of Expansion Project for increasing the Steel Plant capacity at its Vijayanagar Works from 3.8 MTPA to 6.8 MTPA, in the third Quarter. On successful completion of the Expansion Project and commencement of Operations, the Company is poised to become the largest producer in private sector of Steel in the Country. The Blast Furnace being commissioned is the largest in the Country, with a capacity of 4,019 Cubic Meters.

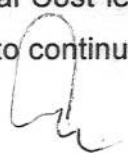
Outlook

The global economy is facing serious threat of recession, in the backdrop of a severe global financial crisis (largest ever in terms of huge financial losses) that has been triggered primarily by US sub-prime issues. This led to serious disturbances in credit / equity, commodity and currency markets resulting in to drying up of liquidity including credit spreads. US and European authorities have taken certain extraordinary proactive measures, including massive liquidity provision to mitigate the dampening effect on the world economic growth. As the global economy slows, the surging oil prices, rising food and commodity prices and spiraling inflation across the world, have retreated to a large extent, and as a result, the inflation risk to global growth appears to be now, more subdued.

Emerging economies, notwithstanding cooling of their momentum (because of more than expected time in decoupling from global crisis), are expected to provide the source of resilience through productivity growth and policy framework. Like its counterparts in US and Europe, India too has responded with swift measures through the Central Bank, RBI, to combat the financial crisis.

There has been a sharp fall in global demand for steel products and also drop in the international prices. However, the impact of falling steel prices is expected to be partially mitigated by lower Raw Material prices and rupee depreciation.

Chinese domestic consumption is expected to remain strong with the growing urbanization which will cap Chinese Exports. As the Chinese domestic steel prices are trading below the Marginal Cost levels of average cost producers, the fall in prices of steel products is unlikely to continue for long.



Indian domestic demand for steel products is expected to sustain, with the committed investments in infrastructure and considering the lower rate of growth in Steel production relative to the growth in consumption.

In a falling price scenario JSW proactively took up several cost control, productivity improvements, efficiency enhancements, cost reduction measures, which will immensely benefit the Company to stay competitive. The Company will be in an advantageous position with the enhanced capacity of 2.8 MTPA coming up on stream in Q 3 FY 08-09 to reap the benefits of next upturn.

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.

