



JSW Steel reports highest ever Net Profit

JSW Steel reported highest ever Net Profit of Rs.716.95 Crores for the current quarter and Rs. 2022.74 Crores for FY 2010-11 on Standalone basis, mainly driven by strong growth in volumes, better sales realization, reduced costs & foreign exchange gains.

During the current quarter, the Company achieved an impressive volume growth of 66% in crude steel production and 43% in saleable steel, compared to the corresponding quarter of previous year. The increase of 12% in blended sales realizations coupled with reduction in blended cost of production, has led to significant improvement in EBIDTA margins for the quarter to 27.4% vis-à-vis 15.1% in the corresponding quarter of last year.

For the Financial Year ended 31st March 2010, the Company has shown significant growth in volumes of 61% in crude steel production and 67% in saleable steel and as a result, has posted highest ever Net Profit of Rs. 2,022.74 Crores compared to Rs. 458.50 Crores of last fiscal.

The key performance highlights are as under:

	Q4 FY 10 Vs Q4 FY 09	FY 2009-10 Vs FY 2008-09	
➤ Volume growth (Crude Steel Production):	66%	61%	
➤ Saleable Steel sold	: 43%	67%	
➤ Net sales	: 58%	30%	
➤ EBIDTA	: 183%	55%	
➤ EBIDTA Margin	: 27.4%	26.2%	
➤ Profit after tax	: 1357%	341%	
➤ EPS (Diluted) (Rs.)	: 37.75	105.94	
➤ Net Long term Debt gearing (Standalone):	1.07		

Operational Performance:

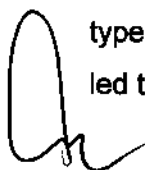
During the quarter, crude steel production has reached 1.6 million tons mark, the highest ever quarterly production achieved by the Company. The saleable steel has also reached highest levels during the quarter, surpassing 1.5 million tons mark.

For the Financial Year 2009-10, the Company achieved production and sales volume of 5.987 million tons (the overall production was 6.02 million tons, considering trial run operations from the expansion project) and 5.72 million tons (the overall sales was 5.74 million tons considering trial run sales), respectively, which works out to around 94% of volume guidance of 6.4 million tons and 6.1 million tons, respectively.

The Company has successfully commissioned the Phase I (3.5 MTPA) of the state-of-the art largest and widest new Hot Strip Mill at Vijayanagar on March 28, 2010, which was supplied by M/s. Mitsubishi-Hitachi of Japan. The Mill can roll up to 2100 mm width (widest in India) and thickness range of 1.5 mm to 25 mm and is equipped with new technology for shape control, level 2 and 3 automations, which has the capacity to produce steel for special application in Automobiles, Boilers, Structural, Oil and Gas Pipelines, etc. After successful trial operations, the Mill has commenced commercial production on April 10, 2010 and it would enable the Company to convert all available slabs into value added HR Coils, on its stabilization. On completion of Phase II, the capacity of the Mill will go up to 5 MTPA.

The domestic sales volume continued to show rising trend, constituting 88% of the total sales for current quarter as against 83% in the corresponding quarter of last year, in line with company's strategy of increased focus in the domestic markets. The no. of JSW Shoppe outlets went up to 174 and Retail sales for the current fiscal, through JSW Shoppe accounted for 16% of domestic sales, excluding semis.

The various cost reduction initiatives taken by the Company, such as, increased coal injection, decreased fuel consumption in blast furnace & lower usage of fluxes in blast furnace, increase in utilization of Corex Gas and usage of Gas from Recovery type Coke Ovens, higher captive power generation etc., along with lower input costs led to reduction in cost of production.



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

Products	(Million Tons)		(Million Tons)		Growth %	
	Q4 FY10	Q4 FY09	FY10	FY09	Q on Q	Y on Y
Production:						
- Crude Steel	1.600	0.966	5.987	3.724	66%	61%
Sales:						
- Semis	0.261	0.110	1.249	0.542	137%	130%
- Rolled: Flat	0.566	0.525	2.053	1.599	8%	28%
- Rolled: Long	0.295	0.096	0.874	0.293	206%	198%
- Value Added flat Products	0.398	0.330	1.544	0.994	20%	55%
Total Saleable Steel	1.519	1.062	5.720	3.428	43%	67%

Financial Performance:

The Gross Turnover and Net Sales for the quarter stood at Rs. 5,569.40 Crores and Rs. 5,167.07 Crores, respectively, showing a growth of 58% over the corresponding quarter of previous year, mainly driven by growth in sales volumes and higher sales realizations. The EBIDTA for the quarter was Rs.1,427.04 Crores, including forex gains of Rs.96.26 Crores and the EBIDTA margin for the quarter was 27.4% as against 15.1% in the corresponding quarter. The Company posted a Profit after Tax of Rs.716.95 crores.

For the Financial Year 2009-10, Turnover, Net Sales, EBIDTA & Profit after Tax was Rs.19,456.64 Crores, Rs.18,202.48 Crores, Rs.4,805.74 Crores (including forex gains of Rs. 412.95 Crores) and Rs.2,022.74 Crores, respectively. The EBIDTA margin for the year was 26.2% as against 21.8% in last year.

The Company's net long term debt gearing was lower at 1.07 from 1.24 on 31.03.09 and the weighted average interest cost was at 8.02% (Vs. 8.22% as on 31.03.09).

The Consolidated Gross Turnover, EBIDTA and Profit after Tax, for the quarter, was Rs.5,843.63 Crores, Rs.1,419.79 Crores and Rs.611.02 Crores, respectively, after incorporating the financials of subsidiaries, joint ventures & associates.

For the year, consolidated Gross Turnover, EBIDTA and Profit after Tax was Rs. 20,211.33 Crores, 4,606.67 Crores and Rs. 1,597.55 Crores, respectively. The

consolidated net profit is lower by Rs. 425.19 crores mainly due to global slowdown adversely impacting the operations in USA and UK.

The consolidated net long term gearing reduced to 1.49 from 1.79.

Projects:

The implementation of state of-the-art new Hot Strip mill at Vijayanagar Works was successfully completed in March 2010 and the Mill has commenced commercial production on April 10, 2010. The Blooming Mill at Salem Works to be commissioned in the current fiscal year 2010-11.

The expansion 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 in FY 2011 and FY 2012 respectively.

Key developments

1. Preferential allotment of Equity Warrants to Promoters.

The Board at its meeting held on 3rd May, 2010 considered and approved, subject to the approval of the Members, the proposal to issue warrants convertible into Equity Shares at any time within 18 months from the date of issue at the option of the Warrant holder into one Equity Share of Rs.10/- each, in accordance with the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009, ("ICDR") as amended.

The terms of issue of Warrants as approved by the Board of Directors are as follows:

- a) Number of warrants: Not Exceeding 1,75,00,000 Warrants (9.36% of the existing paid up equity share capital of the Company)
- b) Terms of conversion:
 - i) The warrants are convertible into Equity Shares within 18 months from the date of their allotment.
 - ii) Each Warrant is convertible into one Equity Share of face value of Rs.10 each.



c) **Payment Terms:**

- i) 25% of the conversion price of the Warrants is to be paid on the date of allotment of warrant. In case the option to convert Warrants into Equity Shares is not exercised, this amount will be forfeited.
 - ii) The balance 75% is payable on exercise of the conversion Right.
- d) Conversion Price – at a price being not less than the price determined as per the provisions of Chapter VII of the “SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009”.
- e) Relevant date: Thirty days prior to the date on which the meeting of the shareholders is held to consider the proposed issue.
- f) Objects of the issue: The proceeds of the issue will be used for debt reduction / to meet the Capital expenditure / Long term Working Capital requirements / General Corporate Purposes.
- g) Proposed Allottees: Sapphire Technologies Limited, a Promoter Group Entity

The holdings of the Promoters on conversion of all of these warrants will be 49.71 % of the expanded Equity Capital.

2. Acquisition of Coking Coal Mines in USA

The Company identified certain Coking Coal Assets in USA along with Railway Load out and Barge facility. Following the due diligence, the Board approved the acquisition of these Assets. As per Company's estimates, these mines have resources aggregating to 123 Million Tonnes. The Company is in the process of formalizing the acquisition. While one of these mines is operating, balance mines can be made operational over 24 Months. The business plan envisages to produce Coking Coal of 1 Million Tonnes in the first year to be ramped up to 3 Million Tonnes in 3rd year.

Dividend

The Board has, subject to the approval of the Members at the ensuing Annual General Meeting, recommended dividend of Re.1 per share on 27,90,34,907, 10% cumulative redeemable preference shares of Rs.10 each, for the year ended 31.03.2010.



The Board has also, considering the Company's performance and financial position for the year under review, recommended dividend at Rs.9.50 per equity share on the 18,70,48,682 equity shares of Rs. 10 each for the year ended 31.03.2010, 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. 207.21 crores, vis-à-vis Rs. 21.89 crores paid for fiscal 2008-09.

Outlook

The IMF estimates suggest a positive economic rebound in 2010 with the global economy registering a growth of 4.2% led by emerging and developing economies growing at 6.3%, followed by advanced economies turning around with a positive growth of 2.3%. The WTO projects world trade to expand by 9.5% with the advanced world increasing by 7.5% and the emerging world by 11%.

The leading economic indicators point towards fast track recovery in global economy as evidenced by rising PMI of major economies, significant improvement in Industrial Production Index across economies, rising employment index, improving liquidity, increasing risk appetite and improved monetary and financial conditions.

The global steel production went up significantly in the first calendar quarter 2010, moving closer towards peak levels, on the back of strong growth in world steel demand and apparent steel consumption, mainly led by China and India.

The growth in Indian steel production, continued to expand however trailing behind the demand and apparent consumption, leading to rising imports & falling exports.

The economic recovery phase, pulled by expanding liquidity along with real demand and production, signals rising of Inflation and interest rates. Reflecting the trend, the spot prices of key raw materials such as Iron Ore and Coal witnessed significant rise. As the raw material suppliers insisted for quarterly pricing in lieu of traditional yearly pricing methodology, uncertainties in the pricing of key inputs beyond Q1 in FY 2010-11 will prevail. However, it is expected that the steel product prices will fluctuate in sympathy with the change in raw material prices with lead and lag effect.

The Company, with its enhanced scale of operations at 7.8 MTPA, increased quantum of high value added rolled products, wide market presence, product range and low conversion cost, is well poised to reap the benefit of strong domestic demand for steel products, during the ensuing fiscal FY11. The increase in cost is likely to be neutralized by anticipated rise in sales realization and possible improvement due to change in product mix.

Guidance

The Company targets to produce the following volumes for FY 2010-11.

(Million tons)

Products	FY 09-10 Actual	FY 10-11 Estimates	Growth
Production :			
Cast Products	5.99	7.00	17%
Saleable Steel			
Semis	1.25	0.25	-80%
Rolled – Long	0.87	1.80	107%
Rolled- Flat	3.60	4.70	31%
Total	5.72	6.75	18%

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 above US \$ 5 billion in fifteen years. 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.