Press Release

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JSW reports flat sales in Q3 FY 2008-09

JSW reported flat sales in the 3rd quarter when the world steel demand and prices fell significantly mainly due to change in the product mix as evidenced by a growth in volume of production and sale of value added steel products.

Commenting on the financial performance Mr.Sajjan Jindal; Vice Chairman and Managing Director said "in spite of over 50% fall in sales realization compared to the peak levels, due to pro-active measures adapted by the Company in reducing the costs, not adding to the inventory and thrust in marketing value added products by leveraging the stable rural demand, the Company could achieve an operating EBITDA margin of 15.3%. The reported net loss of Rs.127.5 crores is mainly due to adverse movement of rupee exchange rate vis-à-vis US Dollar resulting in a foreign exchange translation loss of Rs.177 crores".

The key performance highlights are as under:

	Rs. In crores
➢ Net sales	2786
➢ Operating EBITDA	433
➢ Cash Profit	200
➢ Forex currency translation losses	177
➢ Net loss	128

Operational Performance:

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

	(Million MT)					
	Q 3 FY 09	**Q3 FY 08**	**YTD Q 3 FY 09**	**YTD Q3 FY 08**	**Growth % Q on Q**	**Y on Y**
Production: Crude Steel	0.782	0.956	2.758	2.634	-18%	5%
Sales:						
Semis	0.06	0.091	0.432	0.169	-34%	156%
HR Coils/Plates	0.331	0.487	1.073	1.406	-32%	-24%
Rolled: Long	0.079	0.069	0.197	0.21	14%	-6%
Value added products	0.241	0.22	0.664	0.611	9%	9%
Total Saleable Steel	**0.711**	**0.867**	**2.366**	**2.396**	**-18%**	**-1%**

The company has taken various strategic and operational Initiatives in Q3, listed below, to improve its efficiency to remain one of the lowest conversion cost producers in the world:

1. Maintaining the Inventory levels to arrest further value erosion;
2. Cutting production of the existing operational units and postponing the commissioning of the expansion Projects;
3. Moderating the Capex Programmes of the Company;
4. Increasing the production of Value Added Products, where the impact of down turn is less;
5. Aggressively cutting Cost of Production by 14% over Q2 ’09; and
6. Shifting focus on input blend to bring down the cost to achieve better margins.

The aforesaid measures helped the Company, not only to reduce the impact of the lower realization, but also placed the Company in a strong position to face the challenges in the ensuing quarter and also the Fiscal 2010.

Financial Performance:

The net Sales of Rs. 2,785.53 Crores for the quarter is almost at the same level as that of the corresponding quarter of previous year. The EBITDA before exceptional items (forex translation losses) is Rs.433.48 Crores.

Due to depreciation of rupee vis-a-vs US Dollar, the foreign exchange translation losses of Rs.176.83 Crores has been charged as an exceptional item to P & L account for the quarter, compared to foreign exchange gain of Rs.13.96 Crores for the corresponding quarter of previous year, resulting in a negative impact of Rs.190.79 Crores, over the corresponding quarter. As a result, the loss for the quarter, after exceptional items, is Rs.127.50 Crores.

The standalone Company Turnover, EBITDA before exceptional items and Net Profit for the nine month period ended 31st December, 2008 was Rs.11,659.46 Crores (including Excise Duty), Rs.2,589.27 (including Other Income) and Rs.409.30 Crores (after considering exceptional item of cumulative foreign exchange losses of Rs.807.96 Crores), respectively.

The Company's Debt gearing was at 1.20 and the weighted average interest cost at 8.29% (8.35%, as on 30th Sep. '08) due to fall in libor rates on foreign currency borrowings.

The Company has reported Consolidated Turnover, EBITDA before exceptional items and Net Loss of Rs.3,538.70 Crores, Rs.505.45 Crores and Rs.187.83 Crores, respectively, for the quarter, after incorporating the financials of subsidiaries, joint ventures and associates. The consolidated Turnover EBITDA before exceptional items and Net Profit for the nine month period ended 31st December, 2008 was Rs.13,299.69 Crores (including Excise duty) Rs.2,920.25 (including Other Income) and Rs.314.84 Crores (after considering exceptional item of cumulative foreign exchange losses of Rs.815.21 Crores), respectively. The consolidated debt gearing was 1.75.

Key Developments:

- Restored the production to normal level in January 2009 by restarting the two furnaces temporarily shut down in November 2008.
- Already commissioned Sinter plant, Coke oven batteries, Wire rod mill, Raw material handling systems, Utilities forming part of the expansion project to 6.8 MTPA. It is scheduled to commission the Steel Melt shop, Blast furnace and the Bar mill in Q4 FY 2008-09. On commissioning of the expansion project JSW Steel will be the largest steel Company in private sector in India with 7.8 MTPA steel production capacity.
- The new Hot strip mill with 5 MTPA capacity being implemented in two phases and the first phase is expected to be ready during the period December 2009 to March 2010.
- The expansion project to 10 MTPA at Vijayanagar works along with beneficiation plant and power plant will now be commissioned during the period October 2010 to March 2011.
- All other green field projects are currently under review and will be taken up at appropriate time on achieving financial closure and on improvement of market conditions.

Outlook

World economy is expected to report a growth of 2.2% in the year 2009 in spite of contraction in the GDP in advanced countries due to healthy growth of over 5% in India and China. The swift measures taken by the Central banks and Governments across the world to stimulate the economy, to improve the liquidity and to augment the flow of credit to the productive sectors are positive signs for recovery in the later part of 2009.

In response to the steep and swift fall in steel demand worldwide, the Steel producers announced production cuts of over 30%. The corrections in spot input prices namely; iron ore, coal, scrap, ferro alloys, coke of over 60% signal the reset of the long term contract prices for iron ore and coal in line with the falling spot prices. Stable output prices, falling raw material costs, lower inventories, increase in Government spending are expected to benefit the steel sector.

India is expected to recover faster from the impact of global crisis due to its large domestic consumption base and strong banking system. While the rural demand is intact, the falling interest rates, increasing credit flow to productive sectors and lower inflation should bring back the demand for steel from interest rate sensitive sectors viz. real estates, auto and auto components, in the next few months.

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 Q4, FY 08-09 to reap the benefits of lower raw material prices, and revival in demand.

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.