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Press Release Q2 10-11

Net profit (standalone) ₹ 445 crs on Highest ever sales in Q2

JSW Steel reported highest ever Sales both in volume and value in second quarter of FY 2010-11. The Company's flat steel production showed a growth of 38% on the back of robust demand from Consumer durables and Automobiles with declining sale of semis.

The key performance highlights are as under:

		Q2 FY 11 Vs Q2 FY 10
➢ Volume growth (Crude Steel Production)	:	2%
➢ Saleable Steel sold (Highest-ever)	:	9%
➢ Net sales (Highest-ever)	:	25%
➢ EBIDTA	:	₹ 1156 crs
➢ Profit after tax	:	₹ 445 crs
➢ Total Net Debt gearing (Standalone)	:	0.48
➢ Total Net Debt gearing (Consolidated)	:	0.80

Operational Performance:

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

	(Million MT)		(Million MT)		Growth %	
Products	**Q2 FY11**	**Q2 FY10**	**H1 FY11**	**H1 FY10**	**Q2**	**H1**
Production: - Crude Steel	1.571	1.541	3.144	2.917	2%	8%
Sales:						
- Semis	0.086	0.405	0.193	0.716	-79%	-73%
- Rolled: Flat	1.215	0.870	2.074	1.725	40%	20%
- Rolled: Long	0.281	0.179	0.506	0.334	57%	52%
Total Saleable Steel	1.583	1.454	2.774	2.775	9%	-

During the quarter, sales of flat rolled products was the quarterly highest at 1.215 million tons, mainly due to additional production from the Phase I (3.5 MTPA) of the state-of-the art largest and widest new Hot Strip Mill at Vijayanagar, which commenced commercial production from April 10, 2010. Consequently, the Company achieved favorable product-mix by reducing semis (cast products) sales.

The domestic sales constitutes 83% of the total sales volumes as against 79% in the corresponding period of last year which is in line with company's strategy of increased focus in the domestic market. This has been aided by higher sales through JSW Shoppe. The Retail Sales through Shoppe accounted for 26% of domestic sales excluding semis. Value added products sales volumes also went up during the quarter.

Financial Performance:

The Turnover and Net Sales for the quarter stood at ₹ 6,183.90 Crores and ₹ 5,712.84 Crores, respectively, showing a growth of 28% and 25% over the corresponding quarter of previous year, mainly driven by better product-mix and volumes. The EBIDTA for the quarter was ₹ 1,155.53 Crores,including translation gain on foreign exchange amounting to ₹ 157 crores and the EBIDTA margin for the quarter was 20%. The Company posted a Profit after Tax of ₹ 445.44 crores.

The Company's total net debt gearing was at 0.48 (as against 1.15 as of 30th June 2010) and the weighted average interest cost of Debt was lower at 6.25% (as against 7.67% as of 30th June 2010).

The Company reported Consolidated Turnover, EBIDTA and Profit after Tax of ₹ 6,379.14 Crores, ₹1,186.05 Crores and ₹ 373.26 Crores, showing a growth of 27%, 10% and 16%,respectively, after incorporating the financials of subsidiaries, joint ventures and associate.

The company prepaid Rupee term loan of ₹ 2,330 crores during the quarter and is planning to prepay further ₹ 570 crores in Q3 FY 11. The balance amount of ₹ 1901 crores received out of FCD issue to JFE is being used in lieu of drawal of tied up expensive rupee loans to complete the 3.2 expansion project at Vijayanagar Works.

The consolidated total net debt gearing was at 0.80 (as against 1.60 as on 30.06.2010).

Projects:

The 3.2 MTPA expansion project at Vijayanagar Works is progressing in full swing to expand the overall crude steel capacity of the Company to 11 MTPA by March 2011. The company has started generation of power at its 300 MW captive power plant (CPP3) & heating of two blocks out of four blocks of Coke Oven-4, as part of 3.2 MTPA expansion project at Vijayanagar works.

The implementation of another 300 MW Captive Power Plant (CPP4) at Vijayanagar Works is also progressing satisfactorily, to be commissioned in FY 2012.

Key developments :

1. **Issue of Equity shares and GDR to JFE Steel Corporation, Japan**

During the quarter, pursuant to the terms of the Subscription agreement entered into between the Company and JFE Steel Corporation, Japan ("JFE") on 27 July 2010, the Company had made a preferential allotment of one Fully Convertible Debenture (FCD) of face Value of ₹ 4,800.72 crores to JFE. This FCD has been converted into 3,20,04,798 equity shares of the Company on 8 October 2010 in accordance with the terms and conditions of the issue. Post conversion of FCD, JFE holds 14.61% of total equity in the Company and Promoter's holding is 38.41%. Consequent to the aforesaid allotment, the paid-up equity share capital of the Company stands increased from ₹ 187.05 crores to ₹ 219.05 crores.

The Board has, subject to the approval of the shareholders of the Company, approved the following:

a) Issue of upto 9,77,906 Equity Shares ("**Investor Tranche 2 Shares**") to JFE on a preferential basis, without offering the same to any other person, at a price per Investor Share equal to the higher of;
   - a price being a 10% premium to the minimum price at which the Shares are permitted to be issued, as per the provisions of Chapter VII of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009, ("**SEBI Regulations**"); and
   - ₹ 1,500

b) Issue of upto 3,085,814 non-voting, non-transferable Global Depository Receipts ("**Investor GDRs**") to JFE and issued by the depository against 3,085,814 underlying Equity Shares issued by the Company in the name of the custodian, at a price, which assuming 1 (One) Investor GDR represents 1 (One) Equity Share, means a price per Investor GDR at which the GDRs are permitted to be issued as per the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, being the higher of the Indian rupee equivalent of:

- a 10% premium to the minimum price payable under Applicable Law; and
- ₹ 1,500

The aforesaid issue of Equity Shares and GDRs on a preferential basis would be subject to receipt of the approval of the shareholders of the Company, SEBI Regulations as also of any other applicable laws, rules, regulations, and guidelines, and such other consents and approvals as may be required.

The Board of Directors has also approved to obtain the consent of shareholders for the proposed issue of Equity Shares and GDRs by way of a postal ballot.

2. Implementation of 4.5 MTPA Steel Plant in West Bengal:

Following the execution of Development Agreement on January 11, 2007 with the Government of West Bengal ("GOWB") to set up an integrated iron and steel plant with a capacity of 10 MTPA in phases in the State of West Bengal, a Special Purpose Vehicle (SPV) namely JSW Bengal Steel Limited ("JSWBSL") was incorporated on April 20, 2007 as a subsidiary of the Company to set up this project. In the past three years, substantial progress has been achieved on the project. Having achieved significant progress in the last 3 years, the Board of Directors have decided that it is an opportune time to take up this project for implementation.

The Board has therefore approved the Implementation of a 4.5 MTPA Steel plant in West Bengal using BF-BOF-CCP route at an estimated cost of ₹ 16,000 crores including equity investment in the SPV for Mines development and SPV for Captive Power Plant. The project is proposed to be funded with debt equity ratio of 2:1, requiring approx ₹ 5,333 crores as equity infusion of which West Bengal Industrial Development Corporation limited ("WBIDC")/West Bengal Mineral Development and Trading Corporation Limited ("WBMDTC") shall invest upto ₹ 6 crores, and the Company shall invest the balance amount of ₹ 5,327 crores over a period of 3 years starting from 01.04.2011.

The project will be planned to be commissioned by 31/03/2014.

Outlook

The latest IMF estimates once again upgrades the world GDP forecast to 4.8% for 2010, supported by economic rebound in Emerging and developing economies at 7.1% and turnaround in advanced economies with positive growth of 2.7%. Indian GDP growth also remains above 8.5% with emphasis on domestic consumption.

Global consumption is expected to increase by 13.1% in 2010 over 2009 as per latest Worldsteel estimates. The world crude steel production is showing declining trend from peak level of May 2010. With the increase in real demand for steel products, the steel prices are expected to remain stable.

About JSW Steel Limited

JSW Steel Ltd., 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 to US $ 5 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 100 countries across five continents.