Press Release Q3 2011-12 **20.01.2012**

JSW Steel reports net profit of Rs. 168.24 crs for Q3 FY 2011-12

JSW Steel Limited reported highest ever quarterly volume of production and sales in Q3 FY 2011-12.

During the quarter the Company achieved 1.939 million tons of Crude steel production. The growth in volume was 19% in crude steel, 11% in rolled flat products and 31% in rolled long products relative to that of corresponding quarter of previous year.

The Company also posted a quarterly sales volume of 1.908 million tons with 20% growth over that of corresponding quarter of the previous year.

The key performance highlights are as under:

		Q3 FY 12 Vs Q3 FY 11
➢ Volume growth (Crude Steel production)	:	19%
➢ Saleable Steel Sold	:	20%
➢ Net sales	:	36%
➢ EBIDTA	:	Rs. 1253 crs
➢ Profit after tax	:	Rs. 168 crs
➢ EPS (Diluted)	:	7.18
➢ Net Total Debt gearing (Standalone)	:	0.75

Operational Performance: Sales and production volumes are as under:

	(Million tons)		
Products	**Q3 FY 12**	**Q3 FY 11**	**Growth**
Production: Crude Steel	**1.939**	**1.636**	**19%**
Sales:			
- **Semis**	**0.104**	**0.077**	**36%**
- **Rolled: Flat**	**1.442**	**1.240**	**16%**
- **Rolled: Long**	**0.362**	**0.276**	**31%**
Total Saleable Steel	**1.908**	**1.593**	**20%**

The capacity utilization in December at Vijayanagar works improved to 84%. During the initial phase of e-auctions, the Company faced severe shortage of iron ore at plants due to procedural delays, logistical constraints in movement of the ore even after securing the ore in e-auctions. The Company participated and bought Iron ore in e-auctions though the ex-mine price for various grades of ore did not reflect drop in international Platts Index prices. This led to under utilization of production capacity during the quarter. With gradual improvement in receipt of e-auctioned material at plant, the Company could increase capacity utilization to 84% in December 2011.

The Company received 52% iron ore at plant's site as on 31.12.2011 out of total 7.10 million tons Iron-ore secured in e-auctions. Since the usable iron ore out of the balance stock piles for e-auction is expected to last only for 3-4 months, continuing steel production will be a challenge in case iron ore mining ban continues in the State of Karnataka.

Financial Performance:

The Turnover and Net Sales for the quarter stood at Rs. 8,497.58 crores and Rs. 7,859.62 crores, respectively, showing a growth of 35% & 36% over the corresponding quarter of previous year respectively. The EBIDTA for the quarter is Rs.1253.38 Crores up by 24% over the corresponding quarter of previous year. The Company has posted a Net Profit after Tax of Rs. 168.24 crores after considering exceptional item (Foreign exchange loss) of Rs.500.11 crores.

Over the last three months value of the rupee has witnessed unusual depreciation against US Dollar. The net loss of Rs.500.11 crs on restatement of foreign currency monetary items at close of the quarter has been considered by the Company to be exceptional in nature.

The Company's net total debt gearing stood at 0.75 (as against 0.68, as on 30.09.2011) and the weighted average interest cost of debt is at 7.63% (vis-à-vis 7.33%, as on 30.09.2011).

Projects :

- **3.2 mtpa expansion project at Vijayanagar:**

Alamatti Project: 171 km water pipe line from Alamatti Dam to Vijayanagar works, part of 3.2mtpa expansion project, commissioned on 28th Nov 2011.

- **Other projects:**

In the Beneficiation plant, 3 modules out of 7 modules have already been commissioned and the balance 4 modules are under advanced stage of commissioning / implementation and will be commissioned fully by 30.9.2012.

- HSM 2 - phase II, to expand the capacity from 3.5 mtpa to 5 mtpa will be completed by 30.9.2012.
- 300 MW CPP plant is expected to be commissioned by 31.3.2012.
- CRM 2 project and capacity expansion project from 10 MTPA to 12 MTPA are progressing and will be completed by FY 2013-14.

Key Developments:

Amba River Coke Limited (ARCL)

JSW Steel is setting up a Coke oven plant, Pellet plant, Cold Rolling Mill projects in a SPV viz Amba River Coke Limited (ARCL), a wholly owned subsidiary of the Company. These projects would be set up at at JSW Ispat Steel Limited (JISL) Dolvi Works as a part of cost reduction and integration initiatives at JISL.

The coke oven plant and pellet plant will improve profitability and the cold rolled mill will increase share of value added products from current approx 10% to 25%-30%.

ARCL is an existing SPV which has obtained environmental clearance for setting up the coke oven plant. The Board of Directors has approved to acquire 100% holding in ARCL, which will set up a 1 mtpa Coke oven batteries at a total project cost of Rs.975 crores with equity of Rs.325 crores and balance shall be raised by way of debt in SPV (ARCL) without any guarantee from JSW Steel Limited. The coke will be supplied to JISL under long term take and pay contract with a return on equity of 25% to the company. This project is expected to be on stream by December 2013.

It is also proposed to set up a 4 mtpa pellet plant at an estimated project cost of Rs.835 crores and a 0.8 mtpa CRM complex at estimated project cost of Rs.330 crores in ARCL, to be financed through debt-equity ratio of 2:1. These projects will be taken up for implementation on receipt of requisite clearances and will be commissioned in FY 2013-14.

Outlook

The continuing uncertainty in resolving sovereign debt crisis in Euro zone, slow but improving economic activity in US and hawkish monetary stance adopted by emerging economies to contain inflation had slowed down the over all economic growth in the world in calendar year 2011.

The latest announcement from European leaders signal that they will find a solution to the sovereign debt crisis which is expected to revive the sentiment. The emerging economies already started easing monetary policy, which again is a positive to stimulate growth. At this backdrop, the world economy economic growth in 2012 is expected to be lower than 2011.

In line with the sluggish growth across the world, in the later part of 2011, the world steel production fell significantly from a peak of 130 million tonnes in May 2011 to 115 million tonnes in Nov 2011. China also curtailed the steel production substantially during the same period. The disproportionate fall in steel prices globally relative to the drop in iron ore and coal prices put pressure on margins of steel Companies.

A fall out of these global factors coupled with high interest rate / inflation in the domestic market in India led to a fall in growth rate in the Indian economy. It is expected that the easing of interest rate in the near future and likely policy initiatives by Government of India will stimulate the investment cycle and should pick up momentum in the months to come which would improve the steel demand.

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 $ 9 billion in little over fifteen years. JSW Steel Limited is one of the largest producers and exporters of coated flat products in the country 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.

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