

**JSW** Steel Limited

**SVIPS  
2007**

# Forward Looking and Cautionary Statement

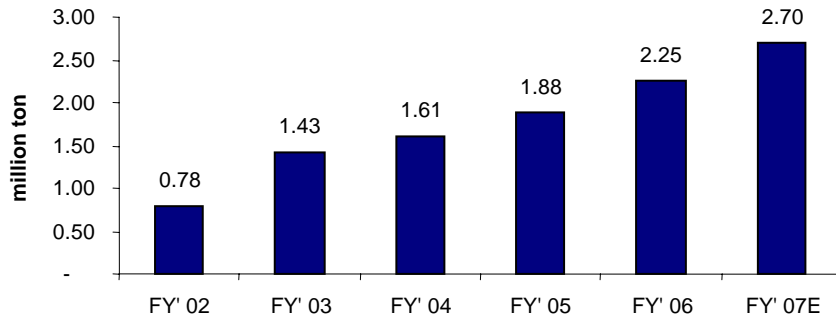
*Certain statements in this report concerning our future growth prospects are forward looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risk and uncertainties relating to these 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 the Company has made strategic investments, withdrawal of fiscal government incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorised use of our intellectual property and general economic conditions affecting our industry.*

## ➤ JSW Steel today

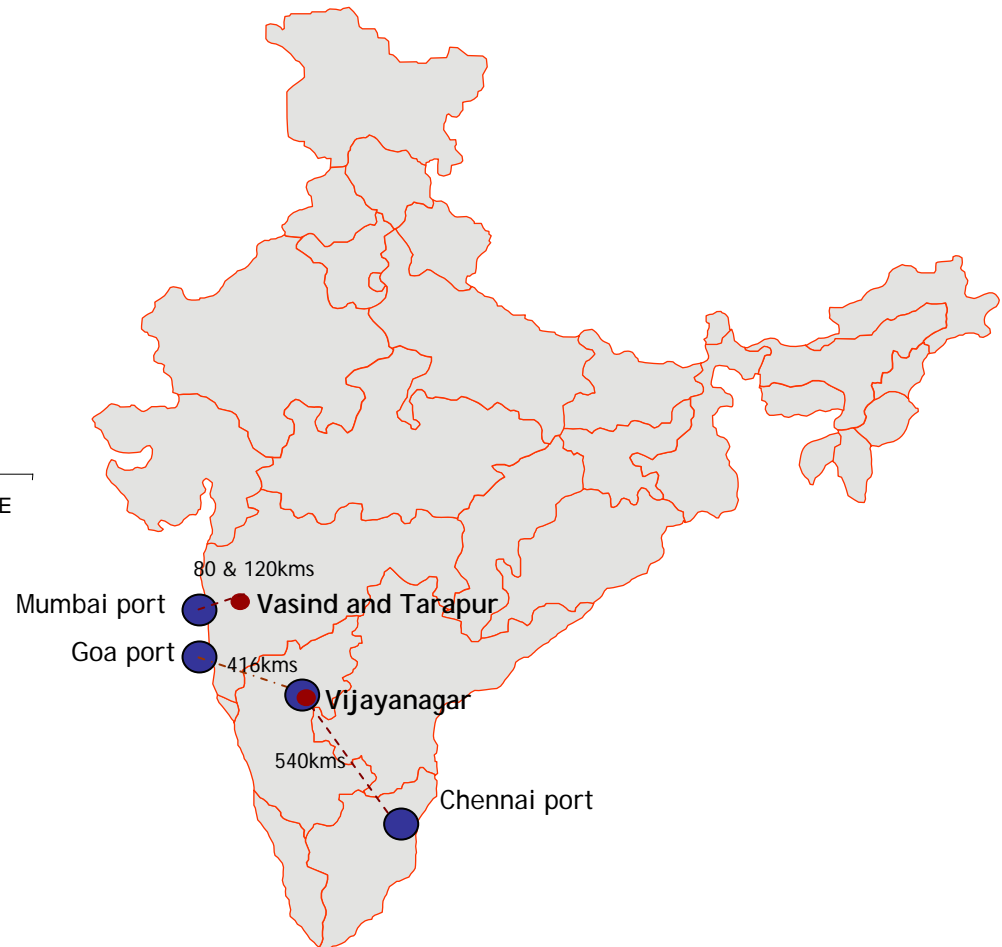
- Key strategic initiatives
- Industry dynamics
- Corporate social responsibility
- Benchmarks

# JSW Steel - Today

## Crude steel production



**CAGR – 28%**



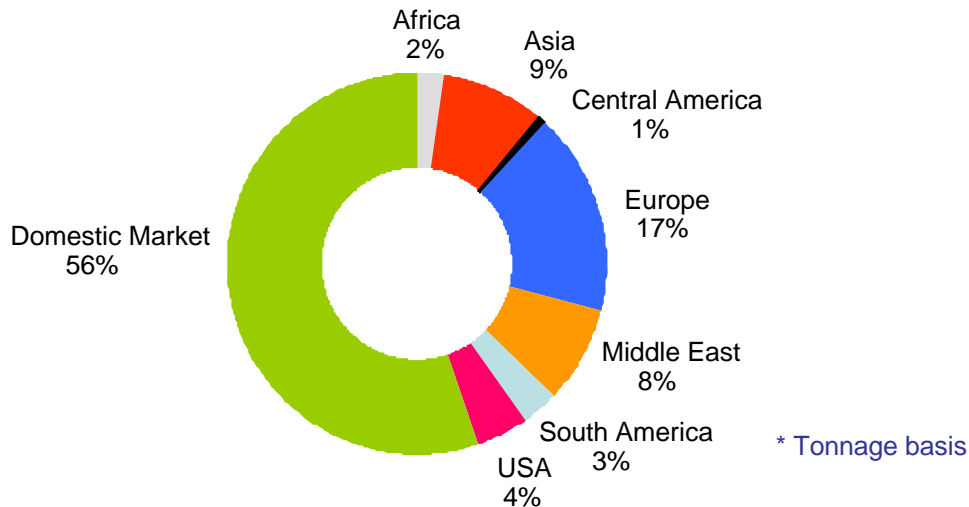
- Well located with proximity to source of raw material & growing domestic market
- Blend of Technology - optimising synergies
- Well integrated production facilities
- Diversified product profile – presence across value chain

# JSW Steel – Today (Cont .)

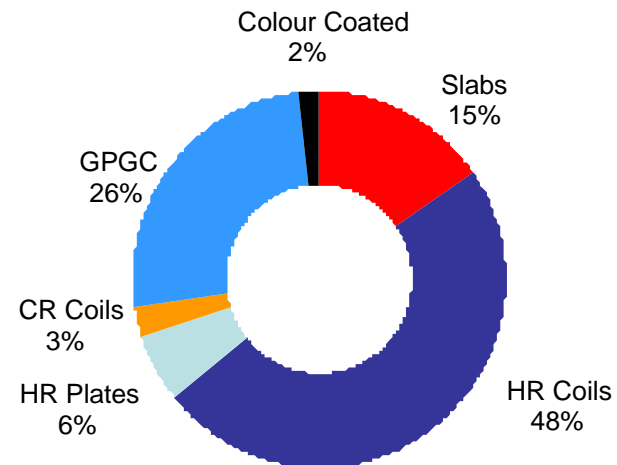
Raw materials	Steelmaking & rolling	Logistics / Utilities / Sales
<p><b>VMPL -Mining (Iron ore)</b></p> <ul style="list-style-type: none"> <li>➤ Iron ore production: 1.5 - 2 mt</li> <li>➤ Meeting 25% - 30% requirements</li> </ul> <p><b>SWML – Mining ( Dolomite , Limestone )</b></p> <ul style="list-style-type: none"> <li>➤ Limestone production : 0.2 mtpa</li> <li>Meeting 60% - 75% of requirement</li> <li>➤ Dolomite production : 0.5 mtpa</li> <li>Meeting 85% - 100% of requirement</li> </ul>	<p><b>Production facility at Vijayanagar</b></p> <ul style="list-style-type: none"> <li>➤ Pellets : 5 mtpa</li> <li>➤ Crude steel: 3.8 mtpa</li> <li>➤ Slabs: 3.8 mtpa</li> <li>➤ HR Coils : 2.5 mtpa</li> </ul> <p><b>Production facility at Vasind</b></p> <ul style="list-style-type: none"> <li>➤ HR Plate : 0.28 mtpa</li> <li>➤ CR : 0.43 mtpa</li> <li>➤ Galvanised : 0.4 mtpa</li> </ul> <p><b>Production facility at Tarapur</b></p> <ul style="list-style-type: none"> <li>➤ CR : 0.57 mtpa</li> <li>➤ Galvanised : 0.5 mtpa</li> <li>➤ Pre-painted : 0.1 mtpa</li> </ul>	<p><b>SWPL (Port)</b></p> <ul style="list-style-type: none"> <li>➤ Cargo Handling Capacity – 5 mtpa</li> <li>➤ Max. vessel size : 90,000 DWT</li> </ul> <p><b>JPOCL – Industrial Gases</b></p> <ul style="list-style-type: none"> <li>➤ Capacity : 5000 tpd</li> <li>➤ Meeting 85% of requirement</li> </ul> <p><b>BOC - Industrial Gases</b></p> <ul style="list-style-type: none"> <li>➤ Capacity : 750 tpd</li> <li>➤ Meeting 15% of requirement</li> </ul> <p><b>Branches</b></p> <ul style="list-style-type: none"> <li>➤ Overseas offices at China, Australia, USA &amp; UK</li> <li>➤ Wide domestic presence with branches and strong dealer networks</li> </ul>
Power		
<p><b>Captive Power</b></p> <ul style="list-style-type: none"> <li>➤ Capacity: 230 MW</li> <li>➤ Production: 190 MW</li> <li>➤ Meeting 80% of requirement</li> </ul> <p><b>JSW Energy Limited</b></p> <ul style="list-style-type: none"> <li>➤ Capacity: 260 MW</li> <li>➤ Generation: 240 MW</li> <li>➤ Longterm PPA</li> <li>➤ Meeting 20% of requirement</li> </ul>		

# Leading position in World market

Geographical Sales distribution - 9M FY 2007 \*



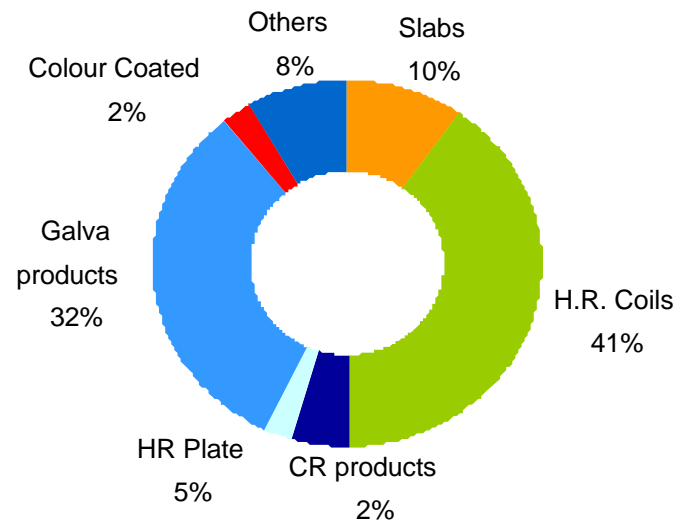
Product mix - 9M FY 2007 \*



➤ Largest exporter of Galvanised products from India

➤ Largest market share of flat products in South India

Consolidated Revenue Share - 9M FY 2007





# Rich experience in project execution

## 1.6 mtpa greenfield project

Integrated project commissioning delayed due to delay in financial closure & start-up issues of Corex plant

## 0.9 mtpa brownfield expansion

- Setting up of blast furnace
- State-of-art non recovery coke oven plant
- Captive power plant utilising waste gases
- Units set up in record time & at a low cost

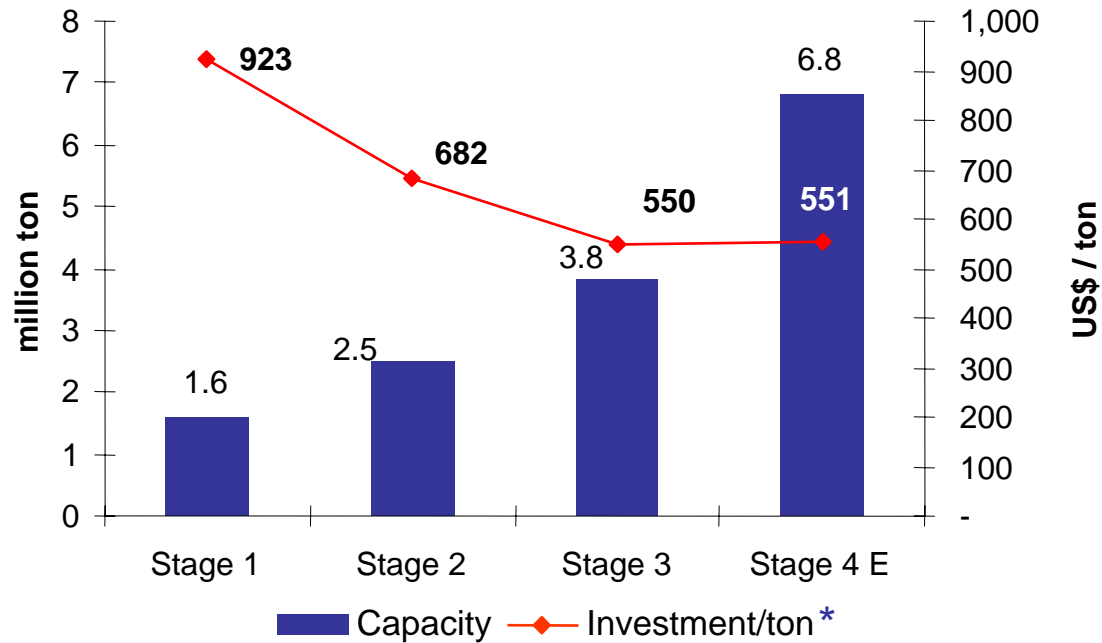
## 1.3 mtpa integrated expansion

- Implementation of integrated plant with Blast Furnace, Coke Ovens & Sinter facility
- Individual units set up in good time & with low investment

- Experienced team for setting up integrated steel plants
- Implement projects within time
- Leverage existing infrastructure to set up projects at low investments

# Low specific investment cost

## Expansion - Low investment cost \*



\* Specific investment cost considered upto HR Coil stage only

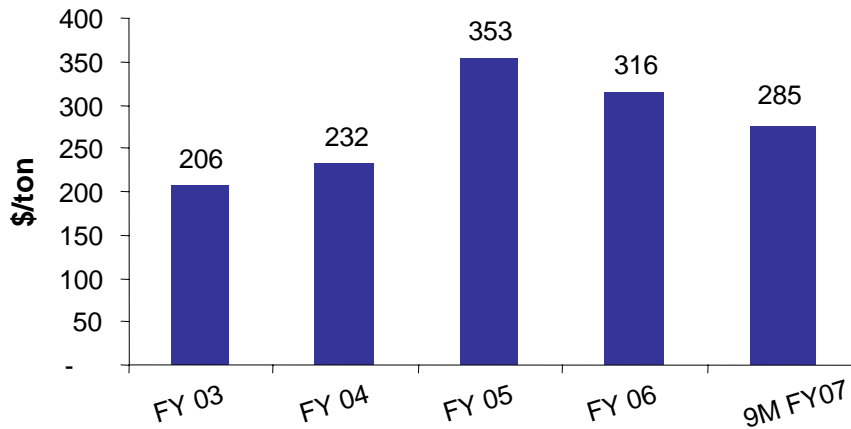
➤ Specific investment cost comparable with best in industry

➤ Efficient cost structure due to low fixed cost

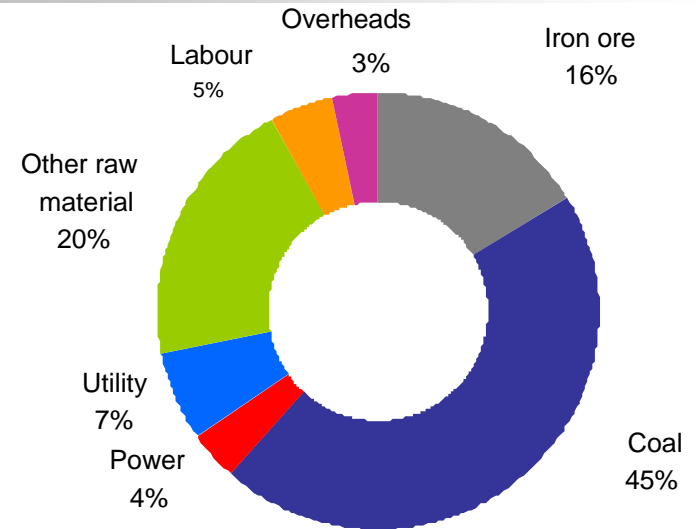


# Stringent operating cost management

## HR Coil production cost trend



## Consolidated cash cost breakdown - 9M FY 2007



**Low cost of production despite partial backward linkage to key raw materials**

## Low conversion cost

### ➤ High plant utilisation factor

→ Refractory relining life comparable with best in the world

### ➤ Higher yields

→ Caster yield at 98.8% amongst best in the world

### ➤ Zero utilisation of petro fuels

→ Corex gas used for in-house heating

### ➤ High degree of plant integration

### ➤ Low specific energy consumption

### ➤ Over 85% solid waste utilisation

### ➤ Lower water consumption per ton

### ➤ High labour productivity

**An efficient & low cost steel producer**

# Financials highlights

## Historical performance FY 2003 – FY 2006

- Turnover CAGR – **34%**
- EBIDTA CAGR – **44%**
- Average net cash accruals – **Rs.11.54 bn**
- Average ROCE – **18.73%**

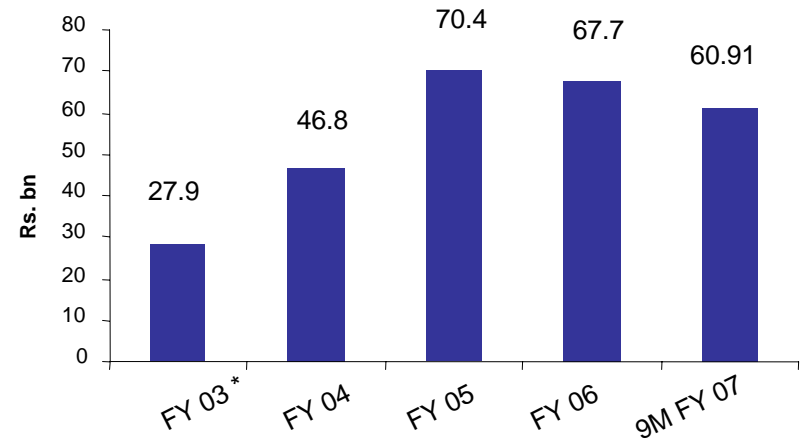
## Financial highlights – 9M FY 2007

- Sales revenue of **Rs. 60.91 bn**
- EBIDTA OF **Rs. 20.22 bn**, margin of **33%**
- Net cash accruals – **Rs.15.14 bn**
- Net income of **Rs. 8.79 bn**
- ROCE – **22.31%**

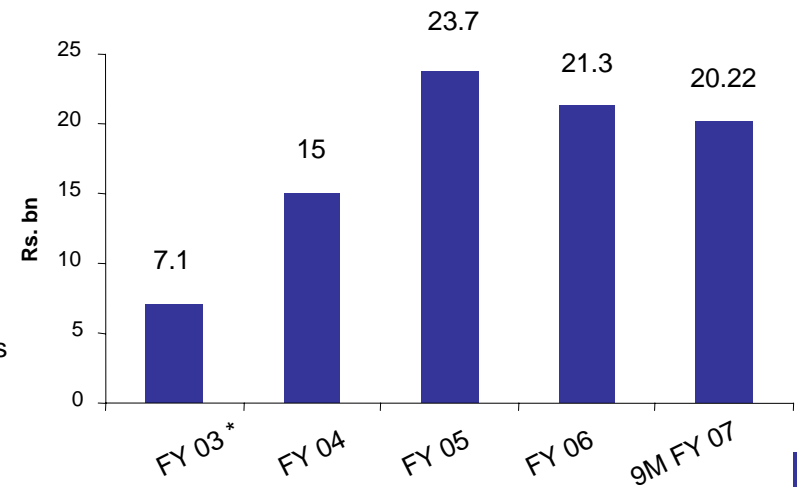
•Figures for FY03 are on standalone basis and for all other years figures adjusted, wherever necessary, to reflect merger.



### Turnover



### EBIDTA



# JSW steel : Leading player in Indian steel Industry

## Leading steel producer

- One of the most modern plant with state-of-art technology
- Amongst companies with best EBITDA margins in the world

## Robust business model

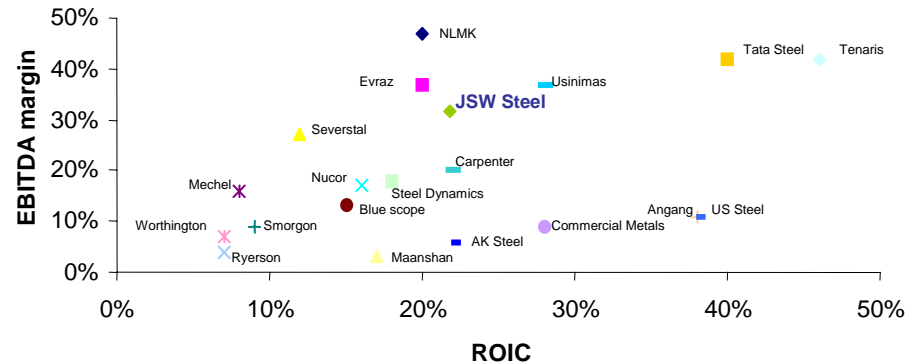
- Efficient operating cost structure
- Varied product basket

## Consistent performer

- Fast implementation of projects

## Sound corporate governance practice

- 13 member board with 8 independent directors



Source: JP Morgan, company

→ JSW Steel today

➤ Key strategic initiatives

➤ Industry dynamics

➤ Corporate social responsibility

➤ Benchmarks

## Strategic Objectives:

- Consolidate position in domestic steel industry with focus on enhancing basic steel making capacity
- Expand global presence with value addition closer to markets



**CREATE WORLD CLASS STEEL COMPANY**

## Key elements

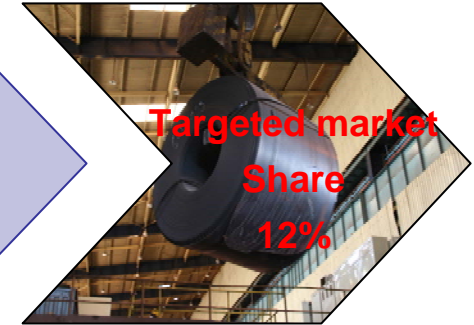
- Grow market share
- Improve vertical integration
- Diversify product profile
- Maintain robust financial profile

# Grow market share



## Increase in Crude Steel production:

- Total investments: Rs. 54.50 bn
- Growth of production: 3.0 mtpa



## Competitive advantages:

- ➔ Leverage existing infrastructure
- ➔ Low specific investment cost
- ➔ Enhance capacity to 6.8 mtpa by March 2009



## 2.8 mtpa expansion

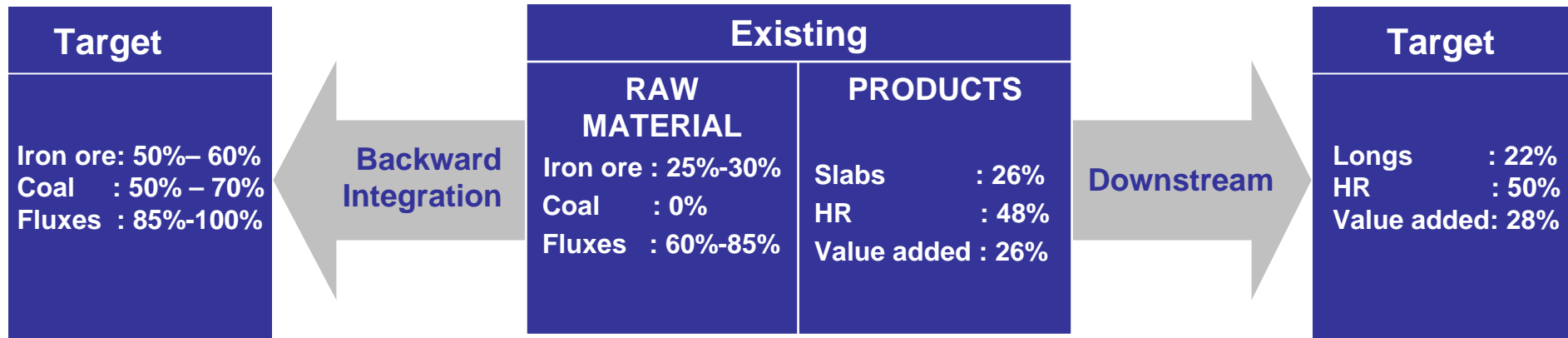
- Integrated steel production through BF-BOF route

## BF – 1 Upgradation

- Upgradation of blast to increase production from 0.9 mtpa to 1.2 mtpa
- Improve fuel efficiency with lower coke consumption

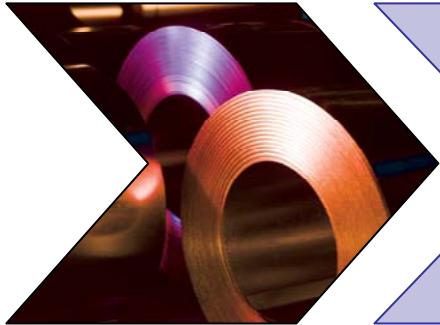


# Increase vertical integration

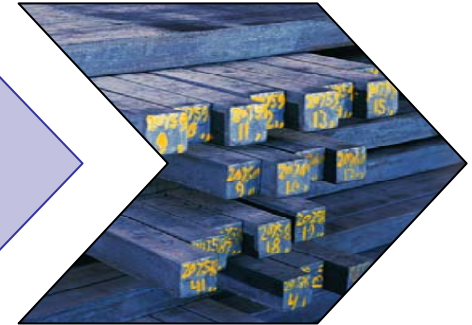


**Striving for end – to – end integration**

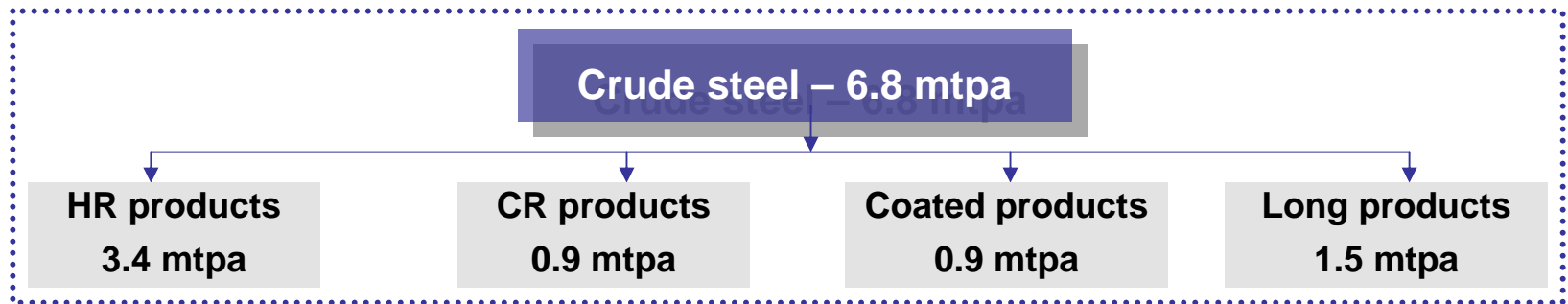
# Diversify market share



- Total investments: Rs. 31.09 bn
- Enhance rolled product output
- Establish presence in long products



**Objective** – Build presence across flat products and long products to improve realisation & de-risk business model



## Cold rolling mill complex

- Production of auto grade CRCA products
- Manufacture of value added HR products

## Hot Strip Mill

- State-of-art HSM of 2200 mm width high quality products
- Ability to expand to 5 mtpa

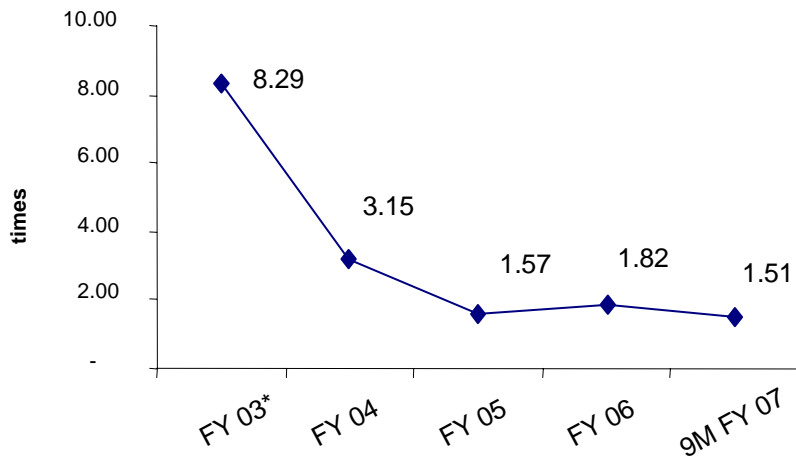
## Galvalume facility

- Conversion of 4 galvanising lines into galvalume
- Entry to premium product segment

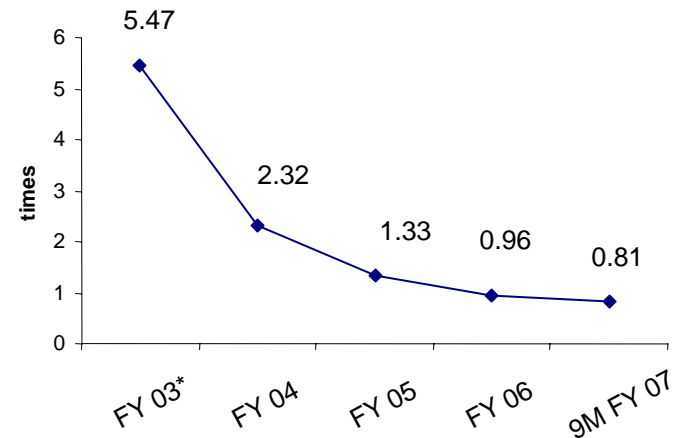
# Maintain sound financial profile

- Maintain gearing below 1
- Healthy mix of foreign currency and rupee debt
- Reduce interest cost.

## Debt / EBIDTA



## Debt / equity



•Figures for FY03 are on standalone basis and for all other years figures adjusted, wherever necessary, to reflect merger.

## Projects under implementation – A summary

Project	Capacity (mtpa)	Expected Date of Completion	Cost (Rs. bn)	Debt (Rs. bn)
CRM	1.00	Q2, FY 08	10.00	6.00
2.8 mtpa	2.80	March '09	53.00	30.00
New HSM	2.00	Sep '09	20.00	12.00
BF-1 Upgradation	0.30	FY '09	1.50	-
HSM- Phase II	0.70	FY '08	0.75	-
Galvalume	-	31/03/08	1.09	1.25
CPP-30	30 MW	31/03/08	0.97	
<b>Total</b>			<b>87.31</b>	<b>49.25</b>

- Financial closure achieved
- Earmarked cash accruals
- No dilution of equity

- Dominant position in domestic steel industry
  - ➔ 10 mtpa by 2010 at existing location
  - ➔ Develop greenfield projects in West Bengal & Jharkhand
- Scan opportunities for inorganic growth
  - ➔ Acquire value added facilities abroad
  - ➔ Expand geographical footprint
- Secure key raw materials

**Achieve leadership position in steel industry**



- JSW Steel today
- Key strategic initiatives 2008-2011
- **Industry dynamics**
- Corporate social responsibility
- Benchmarks

## ➤ High degree of regional consolidation

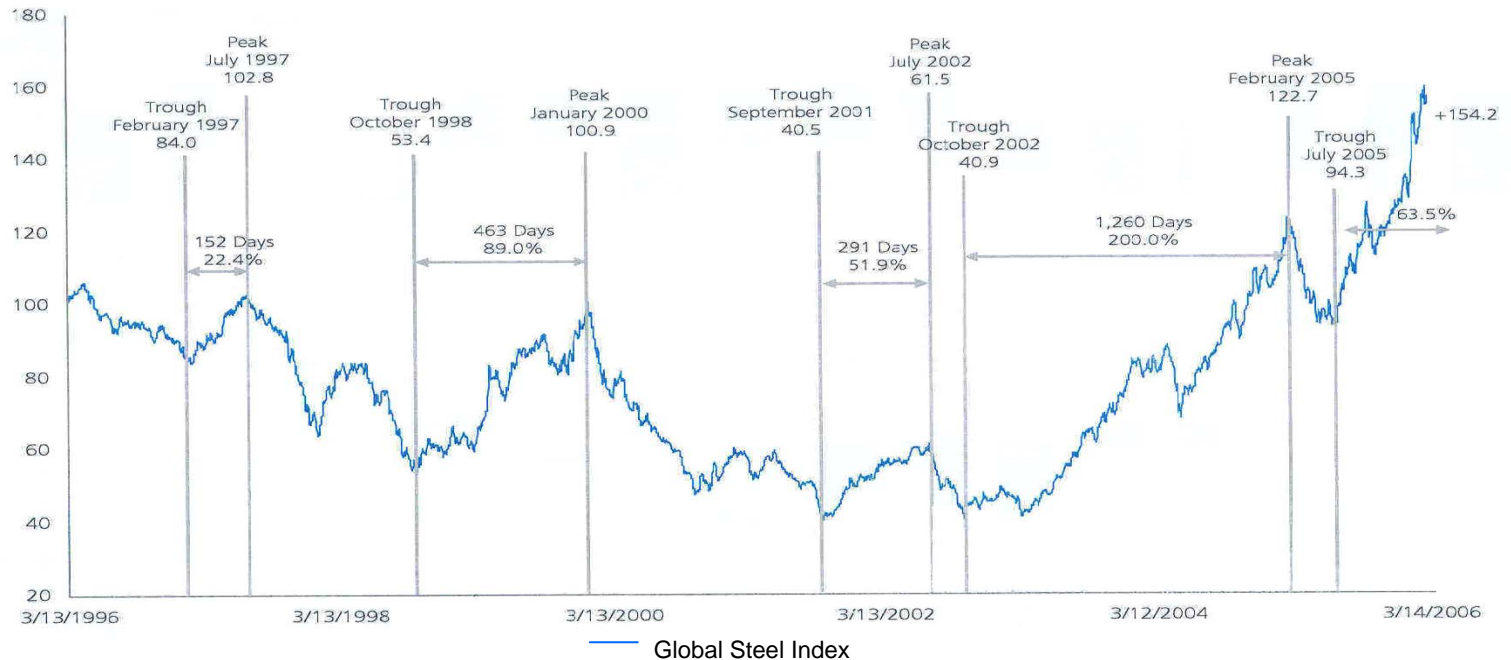
Region	Players	Market Share
USA	Arcelor-Mittal, Nucor & US Steel (3)	71%
EU-15	Arcelor-Mittal, Riva, Thyssen, Corus (4)	70%
Latin America	Usinimas, Gerdau, Technit (3)	74%
Japan	Nippon, JFE, Sumitomo (3)	67%
Russia	Evrast, Severstal, MMK, NLMK (4)	80%
India	SAIL, Tata Steel, JSW Steel, Essar, Ispat (5)	60%
China	Baosteel, TISCO, Anhang, Wuhan (4)	17%

Source: UBS

**Greater discipline amongst industry players**

# Steel Cycles

- Steel cycles have become shorter due to quick supply side response
- Periods of upturn longer than downturn
- Previous troughs not visited in subsequent cycles



Note: 1 Includes Algoma, AK Steel, Chaparral Steel, Dofasco, IPSCO, Mittal Steel, Nucor, Oregon Steel, Steel Dynamics, US Steel, Wheeling-Pittsburgh, CSN, CST, Gerdau SA, Ternium, Usimina, Arcelor, Corus Group, Rautaruuki, Salzgitter, SSAB, Thyssenkrupp, Voestalpine, Baosteel, China Steel, JFE, Kobe Steel, Nippon Steel, POSCO and Sumitomo

## Better positioned to withstand cyclicality

- JSW Steel today
- Key strategic initiatives 2008-2011
- Industry dynamics
- **Corporate social responsibility**
- Benchmarks

Beyond business

**Making steel is our profession  
Generating smiles, our passion**



# The socially responsible citizen

Our pledge to build enduring value for society has inspired us to setup the **JSW Foundation** which is working towards creating a caring culture to improve the quality of life of people who live around our plants.

Wherever JSW Foundation sets up base, it supports the aspirations of the neighboring communities especially in the areas of Health, Education, Community, Sports, Art, Culture and Heritage

- **Health Initiatives** : State-Of –The- Art health infrastructure
- **Educational Initiatives** : Runs schools, Computer Aided Training Centres, Balwadis, Mobile Libraries, Vocational Training Centres .
- **Women Empowerment Initiatives** : Mahila Dairy Development, Rural BPO, Pay loader operational training, Shramasadhana, Nari Vikas Kendra etc
- **Sports Initiatives** : Badminton, Squash and Swimming Academies, offer opportunities for young and rural youth to excel in sports
- **Art, Culture and Heritage Initiatives** : Promotion of arts and artists through series of workshops, restoration of Sir JJ School of arts, Conservation of the world heritage site at Hampi

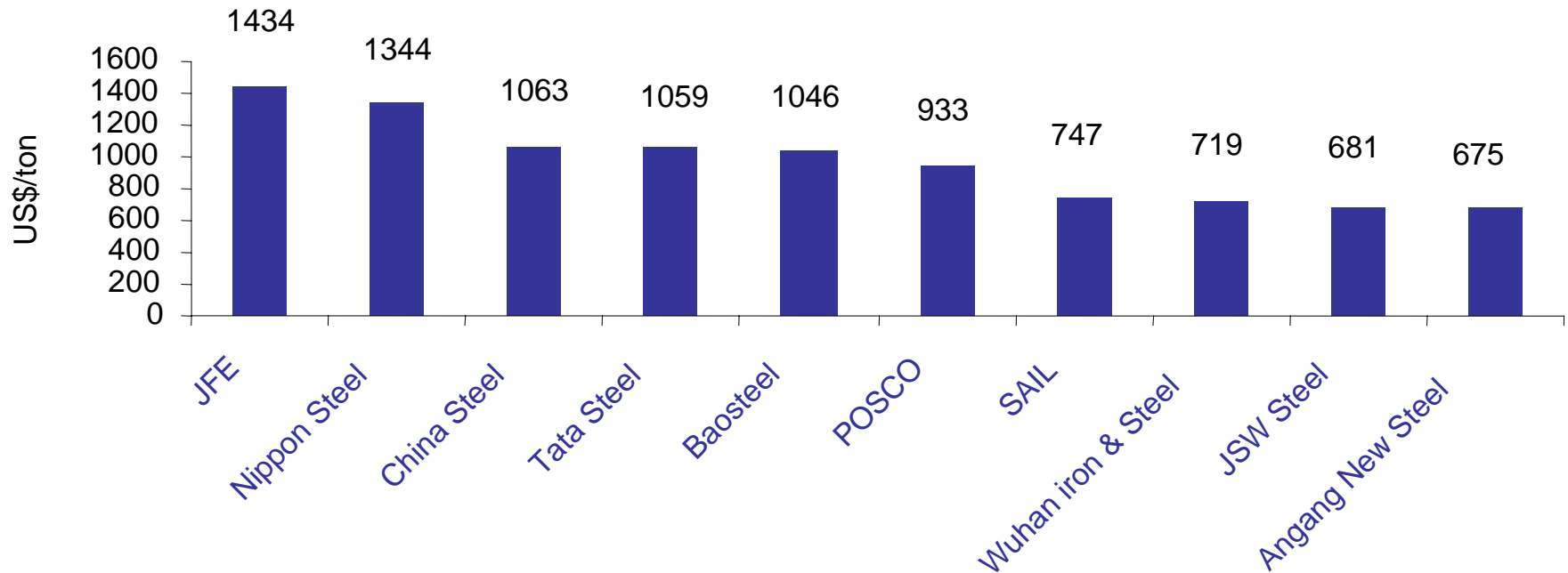


- JSW Steel today
- Key strategic initiatives 2008-2011
- Industry dynamics
- Corporate social responsibility
- ➔ **Benchmarks**



# Valuations- EV / ton

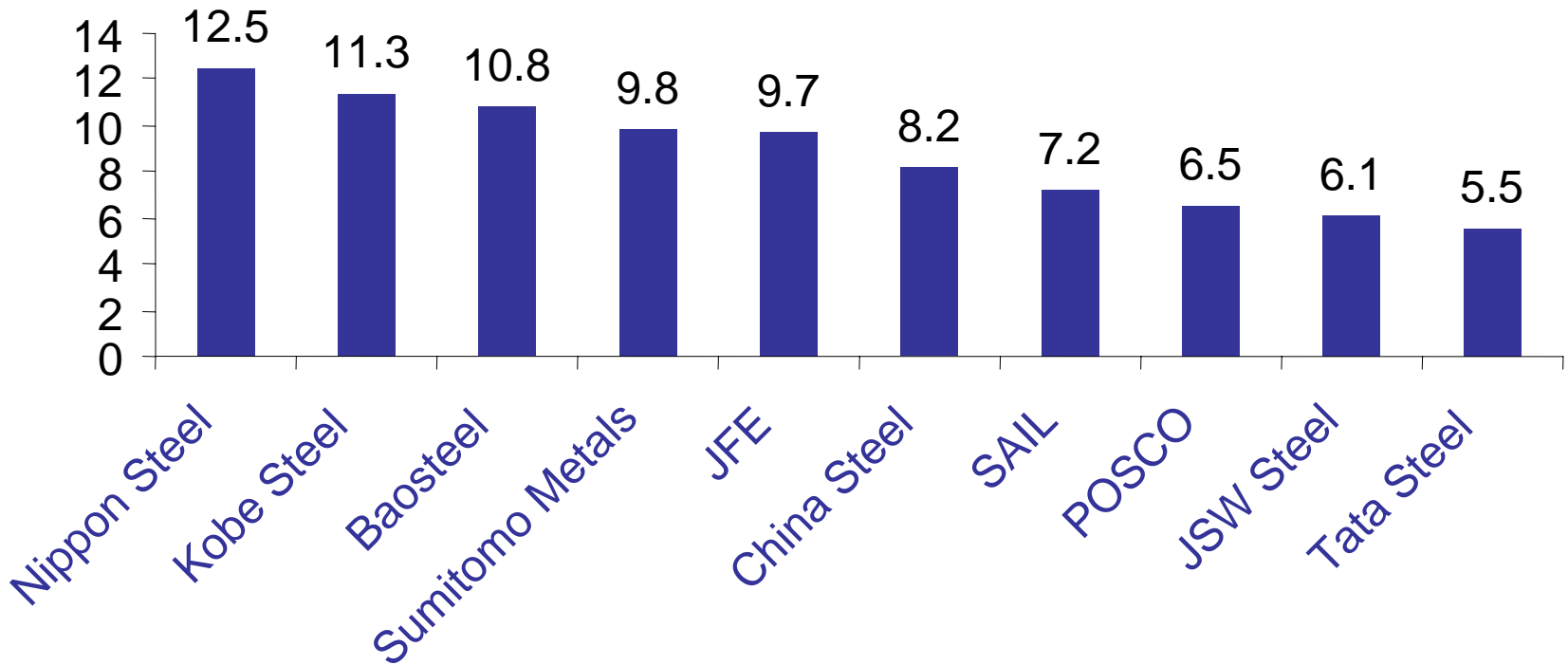
## EV / ton - Asian companies



Source: Bloomberg, Macquarie Research

# Valuations- PE multiple

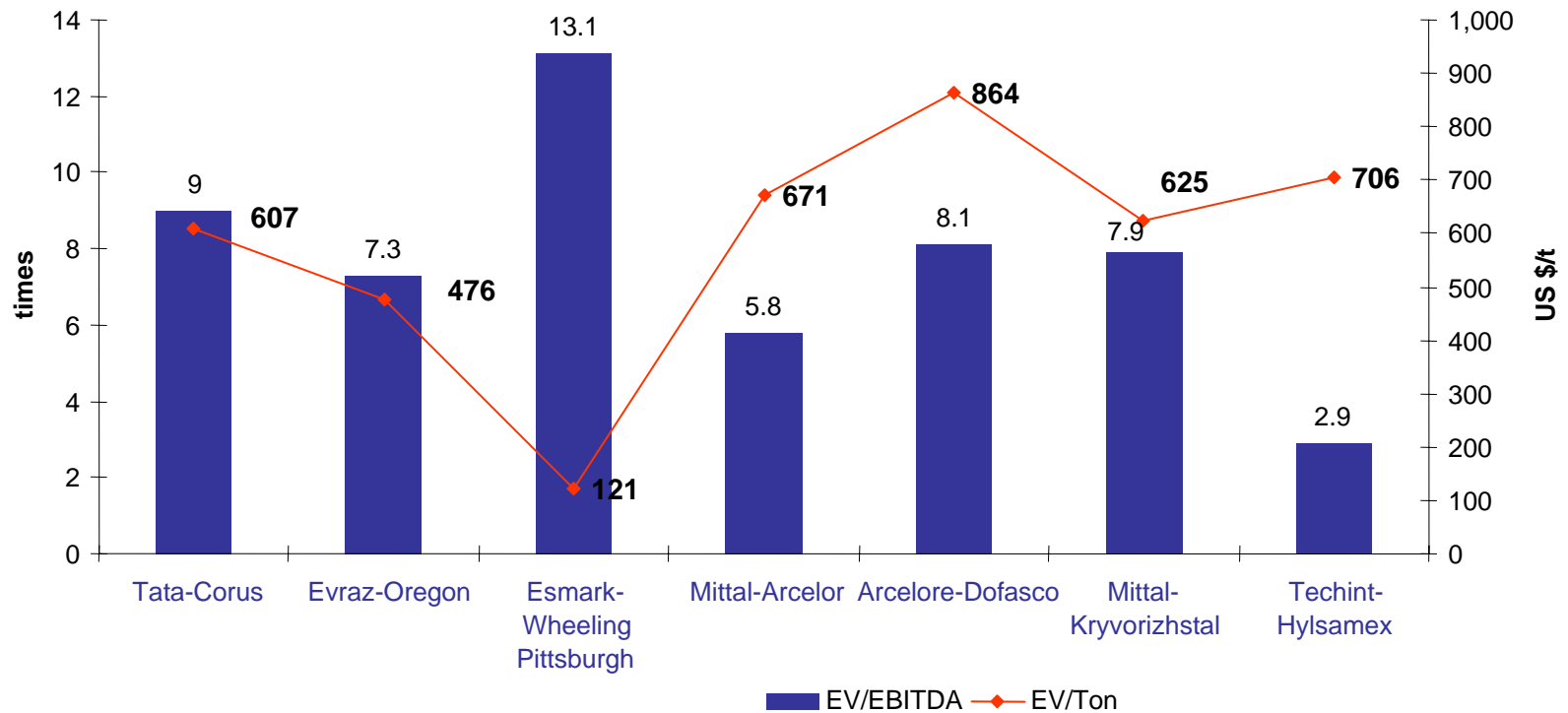
PE multiple FY 07E - Asian companies



Source: Bloomberg, Macquarie Research

# Merger - Valuations

## Recent merger - Valuations



Source: Citigroup

## Well positioned with:

- Improving cost structure
- Ability to scale capacities at low specific investment cost
- Diverse range of products on offer
- Established and deep knowledge of customer base
- Aggressive growth plans with financial discipline



**Deliver returns on sustainable basis**