

# JSW steel on expansion path

JSW Steels Ltd. is planning to expand its capacity of steel plant from 3.8MTPA to 7MTPA mainly looking at the buoyancy in economy and expected surge in steel demand. This would add further impetus to volume growth in the financial year 2007-08 and 2008-09 at an estimated cost of Rs 5000 crore to be financed Rs 2000 crore out of internal accruals and Rs 3000 crore by way of debt in the international and domestic markets. This expansion project envisages to produce slabs having good demand in the international market. Several Steel producers of repute are approaching to have long term tie up to buy slabs

from the company. The implementation period will be 36 months and the project will be on

than the best in the industry. This expansion is expected to boost the profitability of the Company substantially.



The company is also setting up a cold rolling mill (CRM) complex with a capacity of 1 MTPA which will significantly enhance the value added products bouquet of the company. The CRM complex will be commissioned by march 2007 at an estimated cost of Rs. 1000 crores to be financed out of the rights issue proceeds/ internal accruals of Rs. 400 crores and

balance Rs. 600 crores out of debt. The CRM complex will be focused primarily on the value added products

for the auto and white goods industry.

Both the expansions put together (3.8 MTPA to 7 MTPA and CRM Complex) will cost Rs. 6000 crores financed out of Rs. 2400 crores internal accruals / rights issue and Rs. 3600 crores of international / domestic debt.

### Status of ongoing expansions

The company is currently in the process of expanding capacity of its Pellet Plant from 4.20 MTPA to 5 MTPA, modernization of hot strip mill from 2 MTPA to 2.5 MTPA and expansion of steel plant capacity from 2.5 MTPA to 3.8 MTPA. These projects are expected to be operational in phase by the first quarter of Financial year 2006-07 due to which the company will continue to have significant volume growth in the F.Y. 06-07. On completion of these projects, the company will have a 3.8 MTPA integrated steel plant with state-of-the-art facilities and value added products contributing significantly to the bottom line.

JSW Steel Ltd., the second largest specialty and carbon steel manufacturer in the private sector, has recorded a gross turnover of Rs. 1645.63 crores for the third quarter ending 31<sup>st</sup> December 05 as compared to Rs. 1691.88 crores in the previous quarter.

Earnings before interest,

depreciation and tax in the current quarter are Rs. 438.05 crores as compared to Rs. 393.07 crores in the previous quarter (11% growth). The cash profit stood at Rs. 348.54 crores recording a growth of 18.5% over previous quarter. Profit before tax is Rs. 230.81 crores as against Rs. 168.42 crores in the previous quarter. Net profit for this quarter stood at Rs. 139.20 crores compared to Rs. 106.29 crores in the previous quarter (growth of 31%).

In spite of falling sales realization, the company has shown good performance due to volume growth and cost efficiencies. The company repaid debt to the tune of Rs. 227



crores during the third quarter of 2005-06 and reduced its debt equity ratio to 1:1 as on 31<sup>st</sup> December 2005, thereby interest cost has been reduced by 23% for the quarter in comparison with the corresponding quarter.

### Rights Issue

The Board of Directors of the

company has also approved issue of equity shares on rights basis up to a maximum amount of Rs. 400 crores to part finance the cost of setting up 1 MTPA cold rolling mill complex at Vijayanagar works. The entitlement of the rights will be in the ratio of 1 equity share for every 8 share held on the record date to be fixed later. Besides, every share allotted on rights basis will also have two attached warrants separately tradable as series 'A' and series 'B' warrant. Series 'A' warrant is convertible into one equity share between 18 to 36 months and series 'B' warrant is convertible into one equity share between 24 to 48 months. The warrant conversion price

will be fixed based on a formula linked to the then prevailing market price. The terms of issue of these securities will be decided by the committee of directors.

### About JSW Steel Ltd.

JSW Steel Ltd. is a multi-product company involved in the manufacturer of carbon steel primarily focusing on flat products like H. R. Coils. C. R. Coils,

Galvanised products and auto grade / white goods grade CRCA Steel. Incorporated in 1994, it has grown to US\$ 1.6 billion company in little over a decade and continues to grow further with these expansion. It is country's third largest sell company with a 12% share of the domestic market.

