

June 23, 2010

CARE ASSIGNS 'PR1+' RATING TO THE STD / NCD ISSUE OF JSW STEEL LTD.**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
STD / Non Convertible Debenture (NCD)	1,000.00	'PR1+' (PR One Plus)	Assigned
Total	1,000.00		

Rating Rationale

The ratings continue to derive strength from JSWSL's significant presence in the Indian steel sector, the company's successful completion of additional 2.8 million tonnes per annum (mtpa) capacity expansion programme, its proven management capability, the geographical diversity of its sales and the well-diversified revenue mix of value-added and upstream products.

The ratings are however, constrained by JSWSL's rising debt levels, the project execution risks associated with its ongoing capacity expansion programmes, low level of backward integration, the risks arising from significant foreign exchange exposure of the company, the corporate guarantees extended towards subsidiaries, and the inherent cyclicality of the steel industry.

JSWSL's ability to implement its capacity expansion programmes within the scheduled time and cost, continuation of the recovery in the steel demand in India, and the company's ability to achieve the envisaged financial performance are the key rating sensitivities.

Company Profile

JSWSL, part of the JSW group, has an integrated steel facility comprising flat and long products and covering the spectrum of flat products from intermediaries to value-added products. With the commencement of commercial production of additional 2.8-mtpa capacity at Vijaynagar in April 2009, JSWSL's total steel production capacity has increased to 7.8 mtpa. In FY09, though net sales has risen by 23% on yoy basis to Rs.13,953 crore, PAT has declined by 73% to Rs.459 crore mainly due to forex loss. The company posted net sales and PAT of Rs.13,035 crore and Rs.1,306 crore respectively in 9MFY10.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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