JSW Steel Limited

Press Release October 31, 2017

JSW Steel reports Profit after Tax of ₹ 836 Crores, up by 29% YoY

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Second Quarter and the Half Year ended 30th Sep, 2017 ("2Q FY2018" or the "Quarter" and "1H FY2018" or the "Half year").

Key highlights of the quarter:

Standalone Performance:

- Crude Steel production : 3.94 million tonnes
- Saleable Steel sales : 3.92 million tonnes, up by 2% YoY
- Revenue from operations : ₹ 14,956 crores, up by 12% YoY
- Operating EBITDA: ₹ 2,927 crores, up by 9% YoY
- PAT : ₹ 845 crores, up by 26% YoY

Consolidated Performance:

- Highest ever Quarterly Saleable Steel sales : 3.96 million tonnes
- Revenue from operations : ₹ 16,818 crores, up by 17% YoY
- Operating EBITDA : ₹ 3,036 crores, up by 4% YoY
- PAT : ₹ 836 crores, up by 29% YoY

Operational Performance:

The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	2Q FY2018	2Q FY2017	%YOY Growth	1H FY2018	1H FY2017	%YOY Growth
Production: Crude Steel	**3.94**	**3.98**	**-1%**	**7.86**	**7.85**	**-**
Sales:						
- Rolled: Flat	2.83	2.80	1%	5.40	5.28	2%
- Rolled: Long	0.86	0.81	6%	1.61	1.55	4%
- Semis	0.24	0.23	4%	0.42	0.35	19%
Total Saleable Steel	**3.92**	**3.84**	**2%**	**7.43**	**7.17**	**4%**

Crude Steel production during the quarter stood at 3.94 million tonnes. Production was impacted by continued water shortage in the South, particularly in Tamil Nadu, as well as availability of iron ore at Vijayanagar.

Saleable steel sales volume for the quarter was 3.92 million tonnes, up by 2% YoY. The Company liquidated a large part of the inventory that was built-up during the previous quarter in the run up to GST implementation, and consequently sales volumes increased 12% QoQ during the quarter.

Aided by an increase in domestic demand and favorable international markets during the early part of the quarter, the Company achieved its highest ever consolidated quarterly Saleable Steel sales of 3.96 million tonnes. As the impact of GST rollout on channel sales begun to stabilize, JSW Steel's consolidated domestic sales volume increased by 12% QoQ, while retail sales have grown by 24% on QoQ basis. With better international demand, the company focused on increasing exports volumes which surged by 33% QoQ. The company remained focused on enriching the product mix and the overall sales of Value added and special products (VASP) and Special products grew by 17% QoQ.

Standalone Financial Performance:

The Company recorded revenue from operations for the quarter of ₹ 14,956 crores, up by 12% YoY. Despite higher prices of fluxes and power cost, operating EBITDA for the quarter increased by 9% YoY to ₹ 2,927 crores, aided by higher sales volumes and lower prices of key inputs like coking coal, with EBITDA margin of 19.6%. The net profit after tax increased by 26% YoY to ₹ 845 crores. Operating EBITDA increased by 33% QoQ, while PAT increased by 102% QoQ.

The net gearing (Net Debt to Equity) stood at 1.62x at the end of the quarter (as against 1.71x at the end of 1Q FY2018) and Net Debt to EBITDA stood at 3.66x (as against 3.81x at the end of 1Q FY2018).

Subsidiaries' Performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume (Galvanised/Galvalume products) of 0.43 million tons and sales volume of 0.56 million tonnes. Revenue from operations and Operating EBITDA for the quarter stood at ₹ 3,416 crores and ₹ 141 crores respectively. Net Profit after Tax was ₹ 53 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 52,315 net tonnes of Plates and 11,488 net tonnes of Pipes, reporting a capacity utilization of 22% and 8%, respectively during the quarter. Sales volumes for the quarter stood at 49,226 net tonnes of Plates and 11,822 net tonnes of Pipes. It reported an EBITDA of $1.0 million for the quarter.

Consolidated Financial Performance:

JSW Steel's consolidated Revenue from operations increased by 17% YoY to ₹16,818 crores for the quarter. Operating EBITDA increased by 4% YoY to ₹3,036 crores, implying a margin of 18.1%. The Net Profit after Tax for the quarter increased by 29% to ₹836 crores, after incorporating the financials of subsidiaries, joint ventures and associates. Operating EBITDA increased by 16% QoQ, while PAT increased by 34% QoQ.

Net gearing (Net Debt to Equity) at consolidated level was 1.87x at the end of the quarter (as against 1.97x at the end of 1Q FY2018), and Net Debt to EBITDA at consolidated level stood at 3.67x (as against 3.76x at the end of 1Q FY2018).

Outlook

Global growth outlook is broad-based and remains positive over the near term as economic indicators across regions point towards an accelerating momentum. Growth in the US remains firmly on course with strong business and consumer confidence, supported by accommodative financial conditions. Euro area growth continues to recover aided by steady domestic demand and higher exports amidst expansionary monetary policy, and lower political risk and policy uncertainty. Outlook for Japan is also improving with strengthening global demand and supportive fiscal stance. Economic growth in China has been strong with high public investments and the momentum is expected to continue with robust domestic demand.

WSA expects world steel demand to grow at 2.8% YoY in 2017 - more than double of the growth rate expected at the beginning of the year. Steel exports from China has reduced further in the last quarter with closure of inefficient production facilities and continued strong domestic demand. Exports from Japan reduced slightly with stronger domestic demand, but Korean exports continue to remain at elevated levels with weakness in the domestic market. Steel prices have strengthened with improved demand outlook, production discipline and support from raw material prices.

Steel imports into India have increased sharply in the last quarter displacing domestic volumes. Q2FY18 imports run rate was ~12mt (up by 59% QoQ). A surge in imports of flat products in Q2 met almost the entire QoQ growth in flat products consumption in the quarter. Rising imports of defective material and import of substandard products under the garb of prime products, especially in the coated segment is alarming.

Crude steel production in India increased by 4.5%YoY in H1FY18 and the apparent finished steel consumption grew by 4.3%YoY. However, consumption of domestically produced steel increased only by 2.8%YoY as imports surged rapidly. Steel demand is expected to improve further with government focus on infrastructure build up like roads, DFC, water & gas pipelines, metro, irrigation projects, solar energy, power T&D etc. Bank recapitalization will pave way for an uptick in credit growth and possible restart of the investment cycle.

JSW Steel Ltd., belonging to the JSW group, part of the O P Jindal Group, is one of the lowest cost steel producers in the world. The group has diversified interests in mining, carbon steel, power, industrial gases, ports and cement. JSW Steel Limited is engaged in manufacture of flat and long products viz. hot rolled coils, cold rolled coils, galvanised products, galvalume products, colour coated products, auto grade / white goods grade flat products, bars and rods. Incorporated in 1994, 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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