

JSW Steel reports highest ever Production, Sales, EBITDA and PAT

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Fourth Quarter and the Financial Year ended 31st March, 2018 ("4Q FY2018" or the "Quarter" and "FY2018" or the "Year").

Highest ever Quarterly Performance:**Standalone:**

- Crude Steel production: 4.31 million tonnes, up by 5%YoY
- Saleable Steel sales: 4.22 million tonnes, up by 7% YoY
- Revenue from operations: ₹19,699 crores, up by 16%YoY
- Operating EBITDA: ₹5,043 crores, up by 68%YoY
- Net profit after tax: ₹2,235 crores, up by 123%YoY

Consolidated:

- Revenue from operations: ₹20,817 crores, up by 16%YoY
- Operating EBITDA: ₹5,290 crores, up by 67 %YoY
- Net profit after tax: ₹2,879 crores, up by 186%YoY

Key highlights for the year FY2018:**Highest ever Annual performance:****Standalone Performance:**

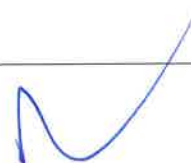
- Crude Steel production: 16.27 million tonnes, up by 3% YoY
- Saleable Steel sales: 15.62 million tonnes, up by 6% YoY
- Revenue from operations: ₹66,234 crores, up by 16%YoY
- Operating EBITDA: ₹13,741 crores, up by 19%YoY
- Net profit after tax: ₹4,625 crores, up by 29% YoY

Consolidated Performance:

- Revenue from operations: ₹71,503 crores, up by 18%YoY
- Operating EBITDA: ₹14,794 crores, up by 22%YoY
- Net profit after tax: ₹6,113 crores up by 76% YoY

Operational performance:

The current quarter was marked by a strong growth in demand across regions, which, in turn, led to higher commodity prices and spreads.



The Company achieved its highest ever Crude Steel production for the quarter at 4.31 million tonnes, up 5% YoY as well as QoQ, on account of higher utilisation and sound operational performance across all locations. Aided by a robust domestic demand, primarily for long products, the Company also achieved highest ever quarterly sales volume of 4.22 million tonnes, which grew by 7%YoY and 6%QoQ.

Consolidated sales volume for the quarter stood at 4.18 million tonnes, up by 6% YoY and 4% QoQ. Domestic sales volumes surged by 41% YoY and 25% QoQ to 3.55 million tonnes, led by rising infrastructure spend and robust automotive segment growth. The Company continued to focus on enriching the product mix as sales of value added and special products (VASP) increased 14% YoY and 2% QoQ to 2.36 million tonnes, and share of VASP in total shipments stood at 57%.

For the year FY2018, the Company reported Crude Steel production of 16.27 million tonnes, a growth of 3%YoY, achieving 98.6% of its guidance. Production volumes in the first half were impacted due to water shortages and constrained iron ore availability. However, Saleable Steel sales volume for the year grew by 6%YoY to 15.62 million tonnes, at 100.8% of the guidance as the company liquidated some inventory to meet demand growth.

The consolidated sales volume for FY2018 stood at 15.55 million tons, an increase of 6% YoY. Sales of value added & special products (VASP) in FY2018 grew by 13% YoY to 9.00 million tonnes driven by higher sales to automotive, appliances, projects and infrastructure segments.

The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	4Q FY2018	4Q FY2017	%YOY Growth	FY 2018	FY 2017	%YOY Growth
Production: Crude Steel	4.31	4.10	5%	16.27	15.80	3%
Sales:						
- Rolled: Flat	2.97	2.90	2%	11.17	10.97	2%
- Rolled: Long	1.04	0.78	33%	3.55	3.06	16%
- Semis	0.21	0.27	-22%	0.90	0.74	22%
Total Saleable Steel	4.22	3.96	7%	15.62	14.77	6%

Standalone financial performance:

With a strong underlying demand and rising international prices, domestic steel prices, especially long products, went up during the quarter. As a result, JSW Steel recorded Revenue from operations for the quarter of ₹19,699 crores, which grew 16% YoY. Despite higher cost of key inputs like iron ore, coking coal and ferroalloys, Operating EBITDA for the quarter grew by 68% YoY to ₹5,043 crores and EBITDA margin stood at 25.6%. The net profit after tax stood at ₹2,235 crores for the quarter, a rise of 123% YoY.

Revenue from operations for FY2018 stood at ₹66,234 crores, up 16% YoY. This was driven by sales volume growth of 6% YoY and higher average realisations. The Company also progressed well on multiple performance improvement initiatives – from diversified sourcing, optimisation of logistics costs, digitalisation projects driving

improvement of yields and productivity. As a result, Operating EBITDA for the year grew by 19% YoY to ₹13,741 crores. The company posted net profit of ₹4,625 crores for the year, witnessing a growth of 29% YoY.

Gearing (Net Debt to Equity) at the end of the quarter stood at 1.27x (as against 1.53x at the end of 3Q FY2018) and Net Debt to EBITDA stood at 2.59x (as against 3.40x at the end of 3Q FY2018).

Subsidiaries performance:

JSW Steel Coated Products: During the quarter, JSW Steel Coated Products registered a production (Galvanized/Galvalume products) of 0.48 million tonnes and sales volume of 0.47 million tonnes. It has recorded revenue from operations and Operating EBITDA for the quarter at ₹3,043 crores and ₹202 crores, respectively. Net Profit after Tax stood at ₹87 crores for the quarter.

During the year, the JSW Steel Coated Products achieved a production of 1.70 million tonnes. Revenue from operations, operating EBITDA and Net Profit after Tax stood at ₹12,553 crores, ₹638 crores and ₹275 crores respectively.

US Plate and Pipe Mill: The US based Plate and Pipe Mill facility produced 71,015 net tonnes of Plates and 12,142 net tonnes of Pipes, reporting a capacity utilisation of 30% and 9% respectively, during the quarter. Sales volumes for the quarter stood at 52,835 net tonnes of Plates and 12,222 net tonnes of Pipes. It reported an EBITDA of \$3.25 million for the quarter.

During the year, the US Plate and Pipe Mill facility operations turned around. With trade remedial actions in the US and strong domestic growth and higher spreads, the facility generated positive EBITDA. It recorded a production of 248,444 net tonnes of Plates and 50,301 net tonnes of Pipes with capacity utilisation of 26% and 9% respectively, and EBITDA of \$13.22 million for the year.

Consolidated financial performance:

JSW Steel recorded Revenue from operations of ₹20,817 crores for the quarter, a growth of 16% YoY. Consolidated Operating EBITDA for the quarter improved by 67%YoY to ₹5,290 crores and EBITDA margin for the quarter stood at 25.4%. The net profit after tax increased to ₹2,879 crores for the quarter after incorporating the financials of subsidiaries, joint ventures and associates.

The operational performance at the US operations of both the Plate and Pipe mill at Baytown, as well as the US coal operations, have seen a consistent improvement during the course of the year. This has been supported by a strong economic outlook for the US. Consequently, the Company during the quarter ended 31st March 2018 has recognised a Deferred Tax Asset amount of ₹729 crores on the unused tax losses to the extent the US operations has sufficiently taxable temporary differences. For FY2018, the Company has recognized a Deferred Tax Asset of ₹1,301 crores.

Revenue from operations for FY2018 stood at ₹71,503 crores. The Operating EBITDA stood at ₹14,794 crores – registering a growth of 22% YoY. The company reported a Net profit of ₹6,113 crores for FY2018 as compared to ₹3,467 crores for FY2017.

The company reported a Return on Capital Employed (ROCE) of over 16% for FY2018.

Net gearing (Net Debt to Equity) at consolidated level was 1.38x at the end of the quarter (as against 1.68x at the end of 3Q FY2018). More importantly, Net Debt to EBITDA at a consolidated level stood at 2.57x (as against 3.32x at the end of 3Q FY2018).

The Company's net debt reduced by ₹4,048 crores during the quarter and by ₹3,529 crores during the year, despite higher activity levels. Interest cost reduced during the quarter primarily on account of repayment of loans and lower interest costs. The weighted average interest cost decreased by 24 bps during the year to 7.04%.

Projects and Capex update:

All the key projects which commenced last year, like augmenting crude steel capacity at Dolvi works to 10 MTPA, revamp and capacity up-gradation of BF-3 at Vijayanagar works, capacity expansion of CRM-1 complex at Vijayanagar works and modernization-cum-capacity enhancement at downstream facilities of JSW Steel Coated Products are progressing satisfactorily and are likely to complete as per schedule.

New Projects approved by the Board:

FY2018 marked a turning point for the domestic steel demand growth for the country, as elasticity of steel demand growth to GDP growth went back to >1x after more than 5 years. With rising spends in infrastructure projects, the medium term demand growth outlook is quite constructive. At the same time, with a 91% utilization in FY2018, the Company is capacity constrained to cater to this strong demand outlook.

With a strategic objective of augmenting the incremental capacity creation at a low specific investment cost so that they remain returns accretive, the Board of Directors of the Company has approved certain key new projects in addition to the existing capex pipeline to achieve the following:

- expand overall steelmaking capacity from 18 MTPA to 24.7 MTPA by March 2020
- enrich the product mix with 3.2 MTPA additional downstream capacity
- backward integration projects to achieve cost reduction

The major new projects so approved are:

(a) Upstream Projects – Augmenting crude steel capacity at Vijayanagar & Dolvi

- i) The Company, in the last year, had announced a plan to revamp and up-grade capacity of Blast Furnace-3 at Vijayanagar, post which the higher cost BF-2 would have been ramped down keeping overall capacity at Vijayanagar at 12 MTPA. Considering the prospects of strong steel demand outlook, the Company now plans to modify and enhance the capacities of Steel Making Shop and capacities of flat and long products mills with allied facilities to utilize the additional hot metal. This project is expected to be commissioned by March 2020 at an estimated cost of about ₹2,300 crores. With this, the crude steel capacity at Vijayanagar would increase to 13 MTPA.
- ii) The expansion project at Dolvi to 10 MTPA is currently under implementation. In order to effectively utilise the steel making and casting capacity, the Company has decided to increase DRI capacity at Salav to 1.6 MTPA (from existing 0.9 MTPA)

along with augmentation and modification of Steel Melting Shop at Dolvi for hot charging of DRI. This project is expected to be commissioned by March 2020 at an estimated cost of ₹1,375 crores. With this, the crude steel capacity at Dolvi would increase to 10.7 MTPA.

Post completion of both these projects, the Company's overall crude steel making capacity will increase from 18 MTPA to 24.7 MTPA by March 2020.

(b) Enriching Product Mix

The Company remains strategically focused on enriching its product mix by increasing the volume and share of value added and special products in its portfolio. Considering the growth potential in these value added segments, the Company has decided to set up the following downstream facilities

- i) Setting up 0.3 MTPA colour coated line at CRM1 complex at Vijayanagar
- ii) Modernisation and Capacity Enhancement at Vasind & Tarapur by 1.5 MTPA by setting up PLTCM instead of earlier planned 0.96 MTPA BCTM
- iii) Installation of an additional Tin Plate line with capacity of 0.25 MTPA at Tarapur
- iv) Capacity enhancement of Pre-Painted Galvalume Line (PPGL) at Kalmeshwar by 0.22 MTPA

These projects, in phases, are likely to be commissioned between September 2019 and March 2020. The overall project cost for the above new projects is expected to be ₹1,470 crores.

(c) Cost reduction projects and manufacturing integration

- i) Setting up of 8 MTPA pellet plant and 1.5 MTPA coke oven plant at Vijayanagar:

The Company has decided to set up a 8 MTPA pellet plant at Vijayanagar to strategically reduce the dependency on more expensive lump iron ore. The Company has also decided to set up a 1.5 MTPA coke oven plant at Vijayanagar to bridge the current and expected gaps in coke availability. Both these projects are expected to provide significant cost savings and are likely to be commissioned by August 2019 and March 2020 respectively, at an estimated cost of ₹5,200 crores.

- ii) Phase-2 Coke Oven plant of 1.5 MTPA under DCPL:

The Company through its subsidiary, DCPL would set up a second phase of 1.5 MTPA coke oven plant along with CDQ facilities to cater to the additional coke requirement for the crude steel capacity expansion to 10.7 MTPA at Dolvi. This project is expected to be commissioned by June 2020 at an estimated cost of ₹2,050 crores.

- iii) Setting up 175 MW and 60 MW power plants at Dolvi:

The Company will set up power plants of 175 MW and 60 MW to effectively utilise flue gases and steam generated from CDQ, which will lead to savings in power

costs. These power plants are expected to be commissioned in March 2020 at an estimated cost of ₹975 crores.

The overall estimated capex plan of ₹26,815 crores announced last year, is expected to be enhanced by ~ ₹17,600 crores to implement the above new projects. Overall, the Company is now implementing a cumulative capex pipeline of ₹44,415 crores over a 4 year period between FY2018 to FY2021. With spend of about ₹4,700 crores in FY2018, the Company plans to spend the balance ₹39,715 crores over the next 3 years. These projects are planned to be funded by a mix of debt and internal accruals in such a manner as to keep the overall leverage ratios within the targeted threshold levels of 3.75x Net Debt / EBITDA and 1.75x Net Debt / Equity.

Dividend:

Considering the Company's financial performance for FY2018, the Board of Directors has recommended dividend as below subject to approval of the members at the ensuing Annual General Meeting: (i) Dividend at the stipulated rate of 10% per share on the 10% Cumulative Redeemable Preference Shares of Rs.10 each of the Company, i.e. (i) Re. 1 (rupee one only) per share of Rs.10 each (prior to its part redemption on 15.12.2017), (ii) Re. 0.75 (paise seventy five only) per share of Rs.7.50 each (face value post redemption on 15.12.2017); and (iii) Re. 0.50 (paise fifty only) per share on the 10% Cumulative Redeemable Preference Shares of Rs. 5 each (face value post redemption on 15.03.2018), has been recommended for the year ended 31 March 2018; and dividend at the stipulated rate of 0.01% per share starting from October 1, 2002 on cumulative redeemable preference shares.

The Board has, further, recommended dividend at ₹3.20 per equity share on the 2,41,72,20,440 equity shares of ₹1 each for the year ended March 31, 2018, subject to the approval of the Members at the ensuing Annual General Meeting.

The total outflow on account of equity dividend including corporate tax on dividend will be ₹932.5 crores, vis-a-vis ₹654.6 crores paid for FY2017.

Volume Guidance:

The Production and Sales guidance for FY2018-19 is given below, which translates into a capacity utilization of 93% :

Particulars	FY'18 (Actual)	FY'19 (Estimated)	Growth (YoY)
Crude Steel Production (million tonnes)	16.27	16.75	3.0%
Saleable Steel Sales (million tonnes)	15.62	16.00	2.5%

Outlook:

Global growth projections remain firm for 2018 with broad based recovery across regions. The positive momentum in the US continues with policy support, manufacturing focus, employment growth and strong consumer confidence. The Euro area is stabilising at a higher level with strong domestic demand, supportive monetary

policy and robust trade. Japan's growth is expected to be supported by stronger exports, rising investments and budgetary support. China's growth rate is expected to soften as the rebalancing away from investment to private consumption and from industry to services continue. Commodity exporting countries are expected to perform better with increasing commodity prices. However, rising protectionism, hardening interest rates, increasing oil prices and geo-political concerns pose a risk to global growth.

The World Steel Association (WSA) forecasts global steel demand to reach 1,616 Million tonnes in 2018, an increase of 1.8% over 2017. Steel demand is benefitting from favourable global economic momentum. China has seen a strong growth in steel demand during the first quarter of CY 2018, even though WSA forecasts zero growth in China for the full year. Hence, there is an upside risk to global demand growth forecasts for 2018. Chinese exports are lower on YoY basis and are expected to taper further as they continue to shut inefficient capacities and focus on domestic consumption. Global steel prices are expected to remain buoyant with steady demand growth across regions, lower exports from China and steady raw material prices.

Indian growth outlook is improving with effects of demonetisation and GST slowly fading away. Structural reforms are expected to increase productivity and incentivise investments. Gross fixed capital (GFC) formation continues to grow with government spending on infrastructure. Vehicle sales remain robust while industrial production growth has been positive. Manufacturing PMI remains in the expansionary zone. Inflation has been creeping up with higher commodity prices and robust domestic demand. As a result, interest rate cycle poses an upward bias. Surging crude oil prices pose a risk to domestic inflation and Indian currency in the near term.

Steel demand grew at a healthy rate of 8% in 4QFY18. However, imports of steel into the country remained at elevated levels in FY2018 indicating that the trade remedial measures in place are ineffective. Flat products imports in FY2018 increased by 8% - with imports of coated products surging by 93% and of colour coated products increasing by 169%. Imports from Korea and Japan increased by 13% YoY in FY2018 and constituted ~45% of total imports.

With imposition of Section 232 in the US and rising trade measures in other regions, there is a likelihood of surplus steel tonnages finding their way into India. This necessitates imposition of effective trade remedial measures in a timely manner by the Government of India.

Steel consumption in India is expected to grow by 7% - 7.5% in FY2019 on the back of government push for infrastructure projects and strengthening consumer demand.

JSW Steel is a part of the diversified JSW Group, which has presence in Steel, Energy, Infrastructure, Cement and JSW Ventures. JSW Steel is the leading integrated steel company in India with an installed steel-making capacity of 18 MTPA. JSW Steel's plant at Vijayanagar is one of the largest single location steel producing facilities in the country with a capacity of 12 MTPA. JSW Steel has a strong product assortment covering the entire gamut of flat and long steel products manufactured through technology in the form of Corex and Blast furnaces.

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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