



JSW Steel Limited

1QFY17 Results Presentation

July 27, 2016

Key highlights – 1QFY17

Standalone performance

- ✓ Highest ever quarterly Crude Steel production: 3.87 million tonnes
- ✓ Highest ever quarterly Saleable Steel sales: 3.34 million tonnes
- ✓ Highest ever quarterly Gross Sales: ₹11,908 crore
- ✓ Operating EBITDA : ₹3,098 crore
- ✓ Net Debt to Equity: 1.85x and Net Debt to EBITDA: 5.13x

Consolidated performance

- ✓ Gross Sales: ₹12,720 crore
- ✓ Operating EBITDA : ₹3,269 crore
- ✓ Net Debt to Equity: 2.27x and Net Debt to EBITDA: 5.69x

Key update

- ✓ The Blast Furnaces at Vijayanagar and Dolvi, which were re-commissioned in 4QFY16, have started commercial production from 1st May 2016
- ✓ The company has transitioned to Ind-AS reporting from 1st April 2016

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Agenda

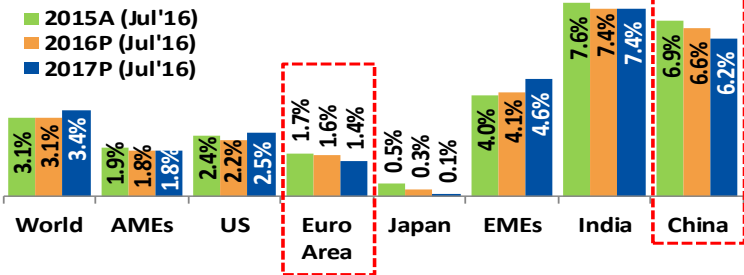
Business Environment

Operational Performance

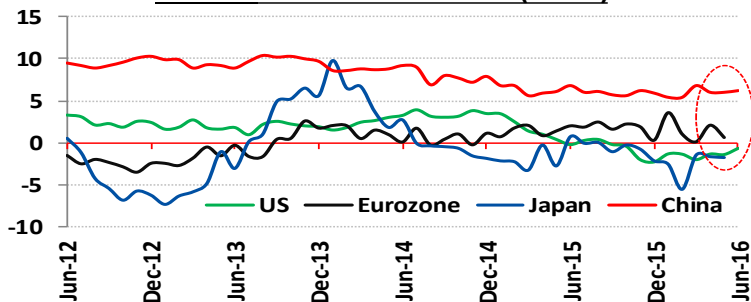
Financial Performance

Global economy

GDP growth - 2015 actual vs. projections for 2016 & 2017 (%YoY)



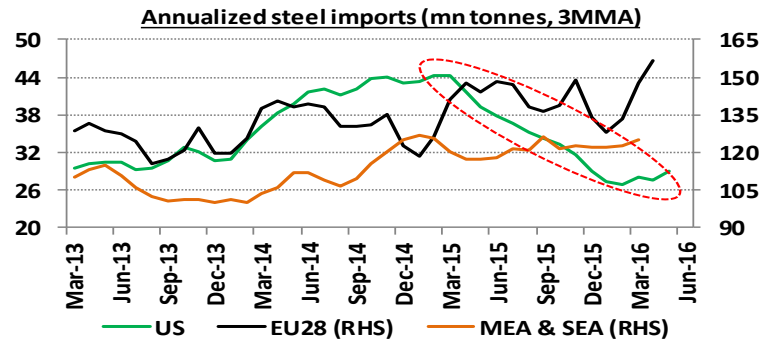
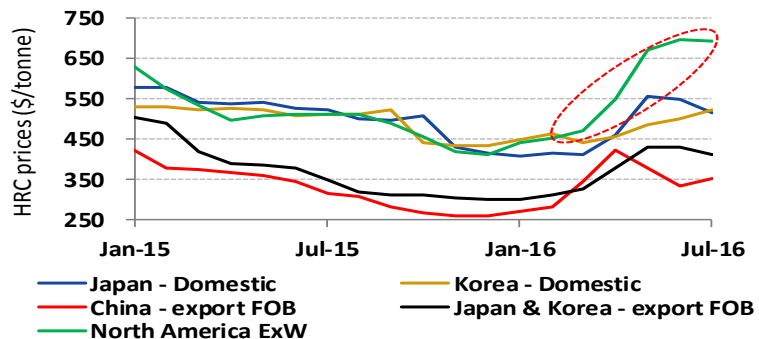
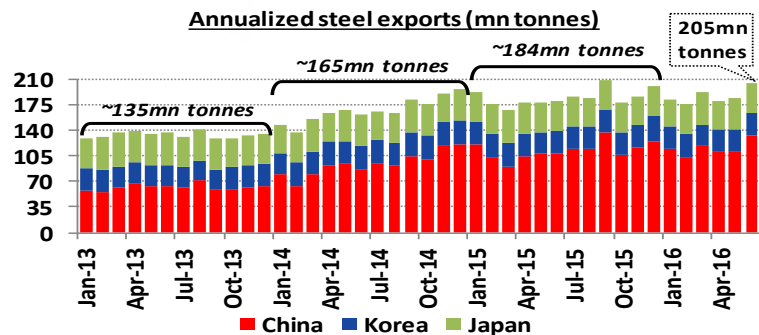
Index of Industrial Production (% YoY)



- Global growth expectations are marked down as 'Brexit' increases economic as well as political uncertainty
- 'Brexit' is a dampener on any likely improvement in European growth outlook
- US growth appears to have improved in 2QCY16 but a likely shift in policy stance indicates lower confidence on sustained recovery
- Japan growth is expected to be weaker in 2QCY16, stronger Yen to continue to limit growth potential
- China 2QCY16 GDP growth was better than expected at 6.7%, within the official target range of 6.5%-7.0%

Global economic growth outlook remains fragile

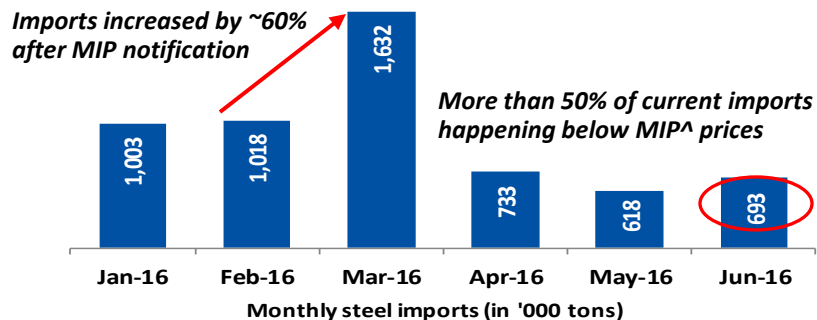
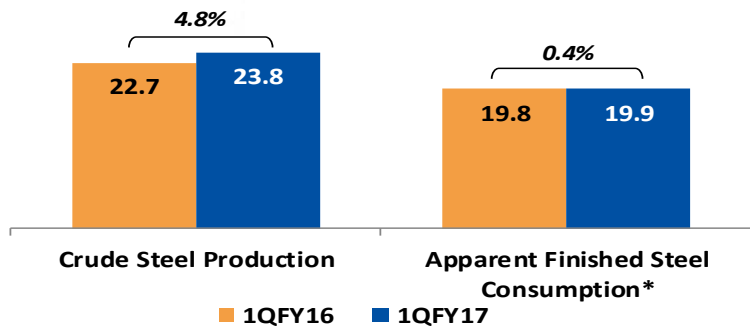
Global steel scenario



- Exports from China, Korea and Japan continue to flood global steel markets
- Japanese/Korean exports are at sharp discount to their domestic market prices
- Imposition of trade remedial measures in US drives clampdown of imports and rising spreads with Asian prices
- In the absence of effective tariff measures, SEA and MEA continue to see surge in imports

Supply response from surplus countries key to health of global steel industry

Indian economy and steel industry



- Crude steel production increased by 4.8%YoY in 1QFY17.
- Apparent finished steel consumption grew by only 0.4% due to sluggish demand, especially in Jun'16.
- Steel imports, though down by 26%YoY in 1QFY17, remained at elevated levels.
- Overall imports fell by only ~1/3rd from pre-MIP^ level as against expectations of a 50% drop – widening and extension of MIP scope is imperative for the health of the industry
- Normal monsoon and Seventh Pay Commission awards likely to drive consumer discretionary spending.
- Government's measures to pump prime the economy and progress on various policy reforms key to drive an uptick in demand growth.

Steel production ramp-up is ahead of expected demand pick-up

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Agenda

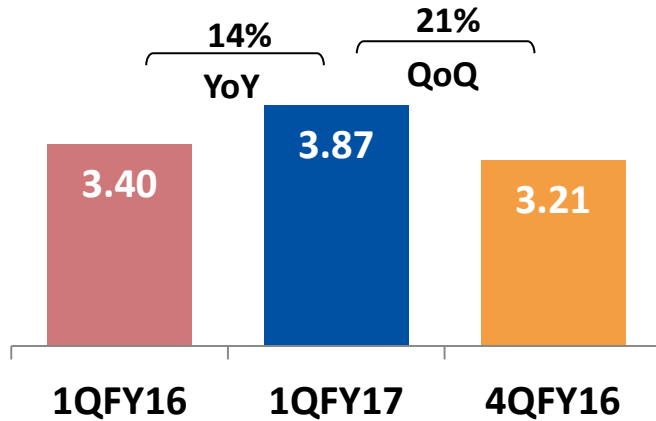
Business Environment

Operational Performance

Financial Performance

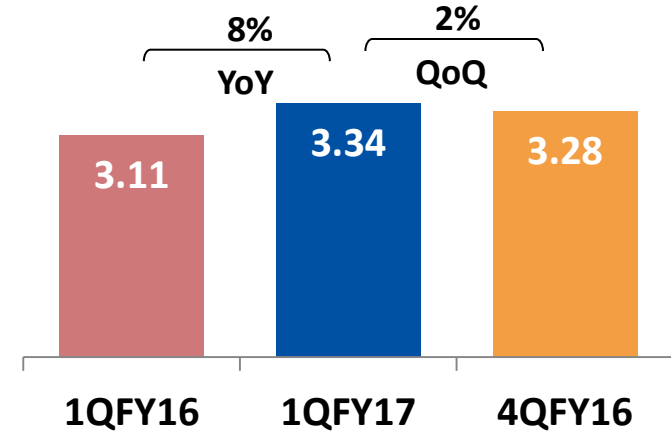
Quarterly volumes – standalone

Crude Steel Production



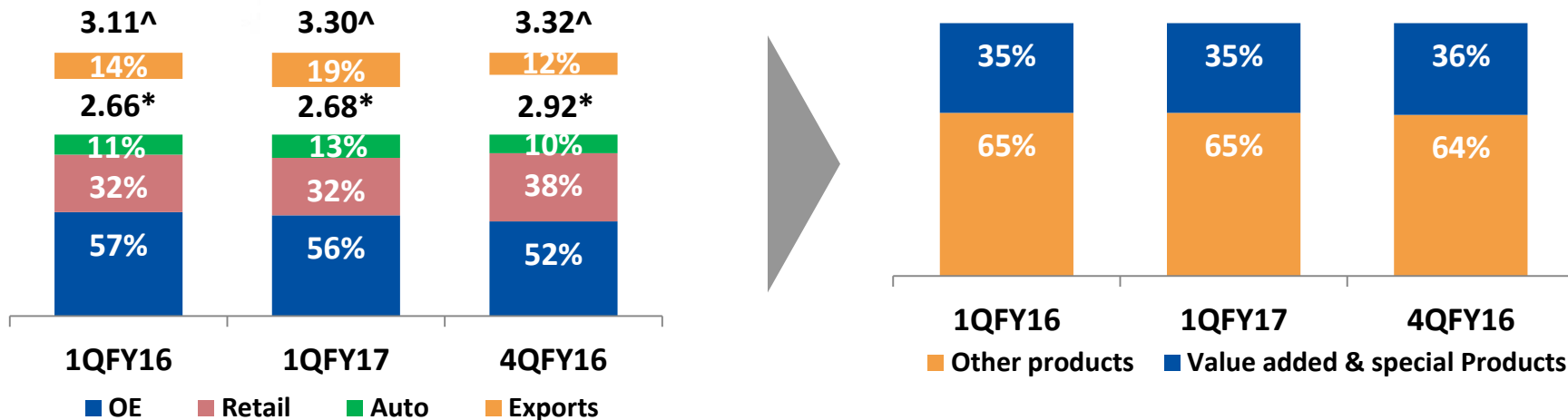
	1QFY16	1QFY17	4QFY16
Flat	2.50	2.74	2.38
Long	0.69	0.85	0.77

Saleable Steel Sales



	1QFY16	1QFY17	4QFY16
Flat	2.40	2.48	2.44
Long	0.62	0.74	0.78
Semis	0.08	0.12	0.07

Quarterly sales highlights – consolidated

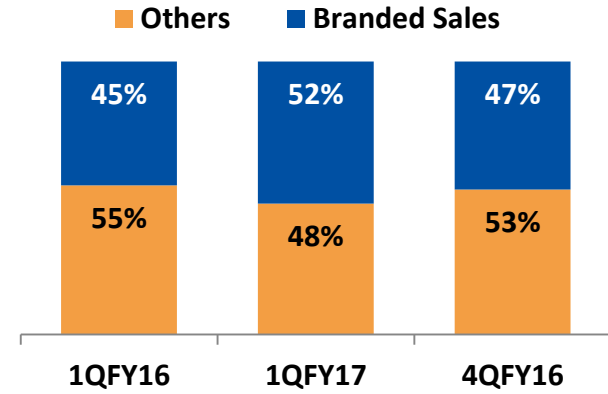
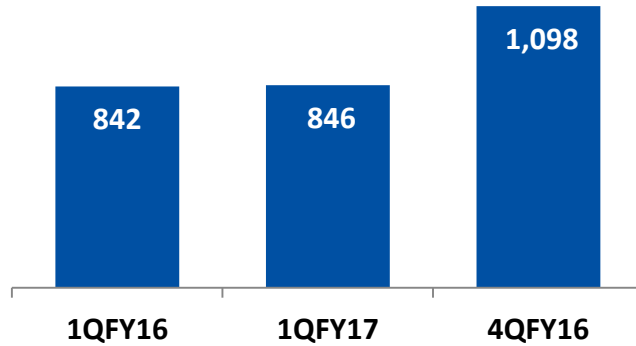


- ✓ Auto sales grew by 16%YoY compared to 12%YoY growth in Indian Automotive production
- ✓ Product mix improved with 4%YoY growth in value added & Special products sales
- ✓ Branded steel product's sales grew by 15%YoY
- ✓ Export sales grew 39%YoY
- ✓ TMT sales grew 32%, CRCA sales grew 10%YoY and Colour Coated sales grew 8%YoY

Better export orders and realizations in international market cushioned flattish Domestic sales

Quarterly retail sales highlights – consolidated

Retail sales ('000 tonnes)



- ✓ Branded steel product's sales increased 15%YoY from 382 thousand tonnes to 440 thousand tonnes
- ✓ TMT sales grew 45%YoY – Individual residential, commercial and infra projects were major contributors
- ✓ Galvalume sales grew 24% – Industrial residential, construction and Infra projects were major contributors, and Colour Coated sales grew 9%YoY – Industrial residential segment was major contributors
- ✓ Added 150 new Retailers to the network, engaged with 2,000+ influencer through 145 influencer meets and 200+ engineers through 5 plant visits

New product development/approvals in 1QFY17

Steel Type: 340 HN CRCA
End use: Skin Panel- Hood



Steel Type: SGARC40 Coated
End use: Door Inner Commercial Vehicle



Steel Type: 220YD Coated
End use: Floor Panel



Steel Type: HS345 High Tensile HR
End use: Domestic LPG cylinder



Steel Type: 150M36 Alloy Steel Longs
End use: Axle Shaft



Steel Type: 815M17 Alloy Steel Longs
End use: Crown wheel



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Agenda

Business Environment

Operational Performance

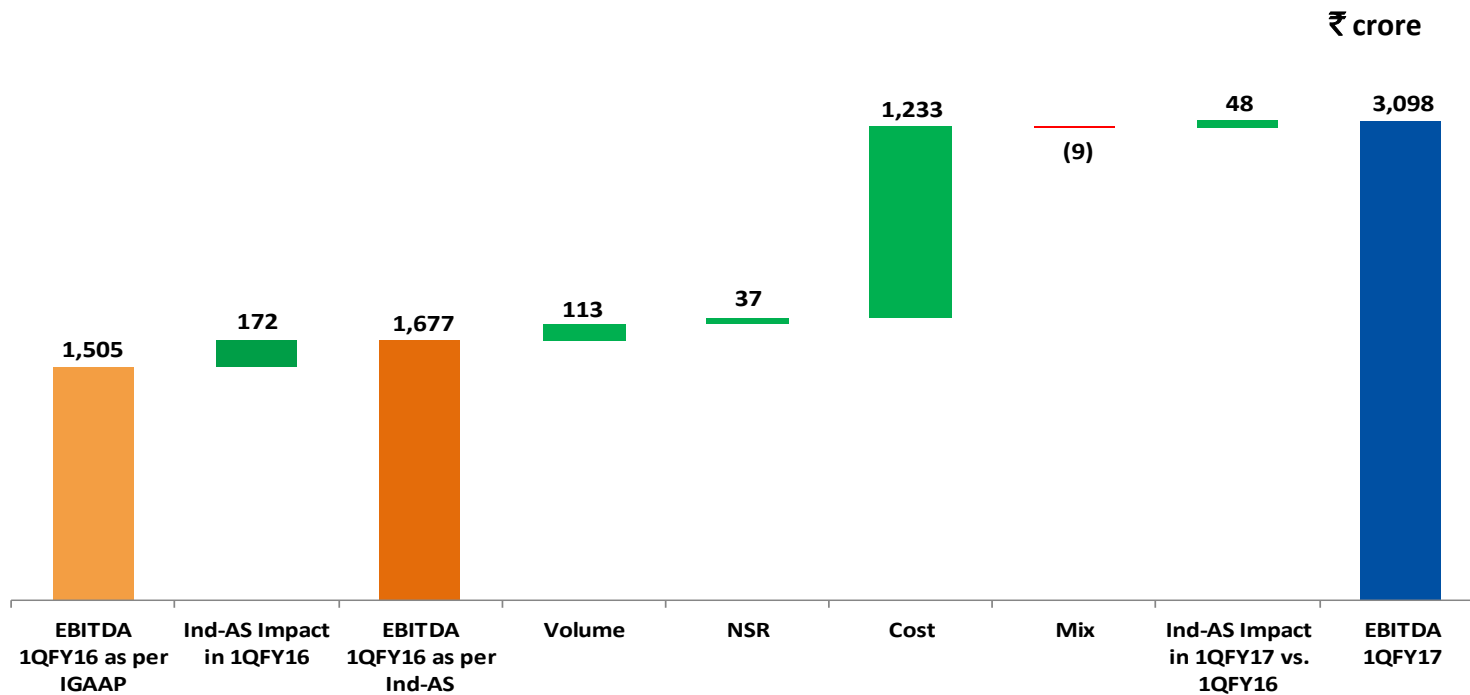
Financial Performance

Financials – standalone

₹ crore

Particulars	1QFY17	1QFY16
Gross Turnover	11,908	11,067
Net Sales	10,806	9,982
Operating EBITDA	3,098	1,677
Other Income	44	93
Finance Cost	863	790
Depreciation	744	697
Exceptional Items	-	(146)
Profit Before Tax	1,535	137
Tax	453	24
Profit after Tax	1,082	113
Total Comprehensive Income	1,214	(131)
Diluted EPS (₹)	44.78*	4.68*

Operating EBITDA movement – standalone



Operational performance – JSW Steel Coated Products

Million tonnes

Volumes	1QFY17	1QFY16
Production	0.41	0.39
Sales	0.40	0.40

₹ crore

Key P&L data	1QFY17	1QFY16
Turnover	2,190	2,132
Operating EBITDA	157	111
Profit after Tax	74	33

Operational performance – US Plate & Pipe Mill

Production (net tonnes)	1QFY17	1QFY16
Plate Mill	37,859	58,118
Utilization (%)	16%	23%
Pipe Mill	4,598	13,541
Utilization (%)	3%	10%

Sales (net tonnes)	1QFY17	1QFY16
Plate Mill	27,542	48,076
Pipe Mill	5,618	17,157

USD mn

Key P&L data	1QFY17	1QFY16
Turnover	25.19	52.47
EBITDA + Other Income	(5.45)	(9.40)

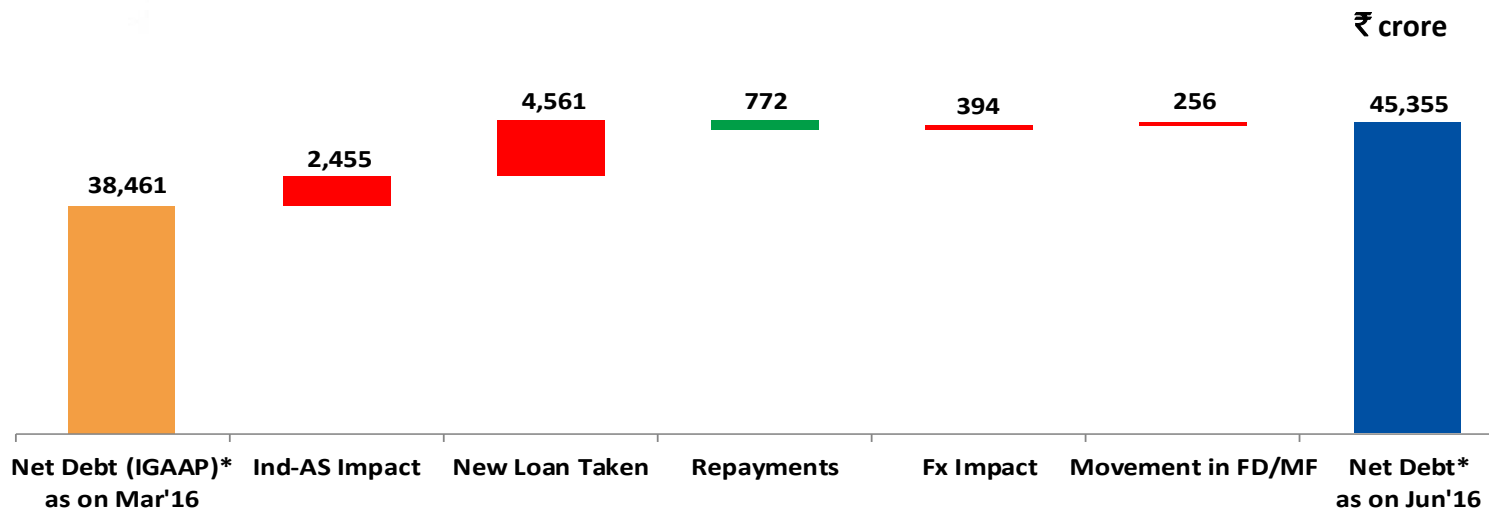
Financials – consolidated

₹ crore

Particulars	1QFY17	1QFY16
Gross Turnover	12,720	12,447
Net Sales	11,542	11,276
Operating EBITDA	3,269	1,706
Other Income	33	36
Finance Cost	936	917
Depreciation	831	832
Exceptional Items	-	(1)
Profit Before Tax	1,536	(7)
Tax	451	2
Share of Associates and Minority Interest	24	31
Profit after Tax	1,109	21
Total Comprehensive Income	1,191	(322)
Diluted EPS (₹)	45.88*	0.88*

* Not Annualized

Net debt movement – consolidated



Particulars	30.06.2016	31.03.2016
Cash & cash equivalent (₹ crore)	1032	1288
Net Debt/Equity (x)	2.27	2.18
Net Debt/EBITDA (x)	5.69	6.39

Transition to reporting as per Ind-AS

Ind-AS	Key areas of Impact	Impact on P&L account	Impact on Balance sheet
Ind-AS 10	Final dividend liability recognized only upon approval by shareholders	NA	✓
Ind-AS 12	Deferred tax 'temporary differences' for past mergers, fair valuation and Ind-AS adjustments	✓	✓
Ind-AS 17	Certain arrangement with suppliers considered as financial leases – <i>Amba River Coke Limited, JSW Steel Salav, JSW Projects Limited, and Harsco India Private Limited</i>	✓	✓
Ind-AS 27	ESOP trust accounted as part of JSW Steel – look through approach	✓	✓
Ind-AS 108	Operating Segment – Steel manufacturing is the only reportable segment	NA	NA
Ind-AS 109	Financial Instruments – Preference shares, upfront fees, long term deposits and equity investments in JSW Energy Limited	✓	✓
Ind-AS 110	Consolidation of entities – <i>JSW Reality & Infra Structure Private Limited (RIPL), Dolvi Minerals & Metals Private Limited (DMML), and Dolvi Coke Projects Limited (DCPL)</i>	✓*	✓
Ind-AS 111	Joint Ventures are accounted as per equity methods as compared to proportionate consolidation under IGAAP – <i>JSW Severfield Structures Limited, JSW MI Steel Service Centre Private Limited, JSW Vallabh Tinplate Private Limited, Geo Steel LLC, Rohne Coal Company Private Limited, Gourangdih Coal Limited, and Vijayanagar Mineral Private Limited</i>	✓*	✓

Impact of transition to reporting as per Ind-AS – Standalone

Arrangements in the nature of lease	Deferred Tax Liability	Dividend & ESOP trust	Accounting for Preference Shares	Fair valuation
<ul style="list-style-type: none"> ▪ Following arrangements for raw material supplies & job work accounted as finance lease: <ul style="list-style-type: none"> ○ JSW Projects Limited ○ Amba River Coke Limited ○ JSW Steel (Salav) ○ HARSCO -Briquetting plant 	<ul style="list-style-type: none"> ▪ Balance Sheet approach under Ind-AS ▪ Deferred tax liabilities on account of fair valuation of assets under past mergers recognised on transition date ▪ Effect of Ind-AS adjustments 	<ul style="list-style-type: none"> ▪ Recognition of dividend liability only upon approval by shareholders ▪ ESOP trust accounted as part of JSW Steel – look through approach 	<ul style="list-style-type: none"> ▪ Classification of preference shares as debt ▪ Fair valuation of preference shares ▪ Accrual of interest 	<ul style="list-style-type: none"> ▪ Fair valuation of equity investment in JSW Energy Limited through other comprehensive income

Impact on 1QFY17 Profit & Loss Account	₹ crore
EBITDA	↑ 220
Depreciation	↑ 93
Finance Cost	↑ 154
Tax	↓ 39
Profit after Tax	↑ 12

Impact on Balance Sheet as on 31.03.2016	₹ crore
Net Worth*	↓ 1,365
Borrowings	↑ 4,348
Property, plant and Equipment	↑ 4,309
Deferred Tax Liability	↑ 932
Other Assets (net)	↓ 394

Impact of transition to reporting as per Ind-AS – Consolidated

Arrangements in the nature of lease	Consolidation of entities & JV accounting	Deferred Tax Liability	Accounting for Preference Shares	Fair valuation
<ul style="list-style-type: none"> Following arrangements for job work accounted as finance lease: <ul style="list-style-type: none"> JSW Projects Limited HARSCO -Briquetting plant 	<ul style="list-style-type: none"> Entities consolidated as subsidiaries: <ul style="list-style-type: none"> RIPL DMMPL & DCPL Consolidation of joint arrangements as JV's under equity method 	<ul style="list-style-type: none"> Balance Sheet approach under Ind-AS Deferred tax liabilities on fair valuation of assets under past business combination recognised on transition date Effect of Ind-AS adjustments 	<ul style="list-style-type: none"> Classification of preference shares as debt Fair valuation of preference shares Accrual of interest 	<ul style="list-style-type: none"> Fair valuation of equity investment in JSW Energy through other comprehensive income

Impact on 1QFY17 Profit & Loss Account	₹ crore
EBITDA	↑ 97
Depreciation	↑ 36
Finance Cost	↑ 96
Tax	↓ 100
Other Adjustments*	↑ 34
Profit after Tax	↑ 99

Impact on Balance Sheet as on 31.03.2016	₹ crore
Net Worth**	↓ 2,899
Borrowings	↑ 2,741
Property, plant and Equipment	↑ 2,479
Deferred Tax Liability	↑ 2,767
Other Assets (net)	↑ 130

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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, our ability to commission mines within contemplated time and costs, our ability to raise the finance within time and cost 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/governmental incentives, impact of regulatory measures, 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.

Thank you