

JSW Steel reports Highest ever Quarterly consolidated EBITDA

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the First Quarter ended 30th June, 2014 ("1Q FY2015" or the "Quarter").

Key highlights of the quarter:

Standalone Performance:	
▪	Crude Steel production: 3.10 million tonnes, up by 8% YoY
▪	Saleable Steel sales: 2.88 million tonnes, up by 13% YoY
▪	Gross Turnover: ₹12,401 crores
▪	Operating EBITDA: ₹2,461 crores
▪	Net debt to equity: 1.15x
Consolidated Performance:	
▪	Gross Turnover: ₹14,153 crores
▪	Highest ever Operating EBITDA: ₹2,612 crores
▪	Net debt to equity: 1.59x

Operational performance:


During the quarter, the Company reported Crude Steel production of 3.10 million tonnes while Saleable Steel sales volume stood at 2.88 million tonnes. The details of production and sales volumes are as under:

Particulars	(Million tonnes)		% YoY Growth
	1Q FY2015	1Q FY2014	
Production: Crude Steel	3.10	2.86	8%
Sales:			
- Rolled: Flat	2.32	2.11	10%
- Rolled: Long	0.47	0.42	14%
- Semis	0.08	0.03	215%
Total Saleable Steel	2.88	2.55	13%

Standalone Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales for the quarter of ₹12,401 crores and ₹11,370 crores respectively, showing a growth of 21% and 23% on YoY basis. The Company reported an Operating EBITDA of ₹2,461 crores, showing a YoY growth of 41% and EBITDA margin improved to 21.3%. Net profit after Tax stood at ₹801 crores for the quarter as against Net loss after tax in corresponding quarter in last year.

The net gearing stood at 1.15x at the end of the quarter (as against 1.10x at the end of FY2014) and Net debt to EBITDA stood at 3.02x (as against 3.03x at the end of FY2014).



Subsidiaries performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production (Galvanised/Galvalume products) and sales of 0.40 million tonnes. The Gross Turnover and Net Sales for the quarter stood at ₹2,505 crores and ₹2,367 crores, respectively. It recorded an Operating EBITDA of ₹95 crores and a Net Profit after Tax of ₹7 crores for the quarter.

Chile Iron ore Mines:

The Iron ore mines in Chile produced 0.22 million tonnes and shipped 0.33 million tonnes of Iron ore concentrate during the quarter. The Company reported an EBITDA loss of \$0.35 million for the quarter due to reduction in Iron ore prices in international market.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 0.103 million net tonnes of Plates and 0.008 million net tonnes of Pipes, reporting a capacity utilization of 42% and 6%, respectively, during 1Q FY2015. Sales volumes for the quarter stood at 0.096 million net tonnes of Plates and 0.009 million net tonnes of Pipes. The Company earned EBITDA of \$4.02 million for the quarter.

Consolidated Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales of ₹14,153 crores and ₹13,067 crores respectively for the quarter, showing a growth of 27% and 29% YoY. The Company reported an Operating EBITDA of ₹2,612 crores and a Net Profit after Tax of ₹656 crores, respectively, after incorporating the financials of subsidiaries, joint ventures and associates.

The net gearing at consolidated level was 1.59x at the end of the quarter (as against 1.54x at the end of FY2014), Net debt to EBITDA at consolidated level is 3.62x (as against 3.71x at the end of FY2014) and the weighted average interest cost of debt was at 8.34% (vis-à-vis 8.20% as on March 31, 2014).

Projects Update:

During the quarter, the Company has commenced commercial production of 0.40 MTPA Continuous Galvanising Line (CGL) and 0.95 MTPA Continuous Annealing Line -1 (CAL-1), part of CRM-2 project at Vijayanagar and 1 MTPA Coke oven plant at Dolvi.

The implementation of other ongoing projects like SMS-3, 2nd Bar Mill, CAL-2, Modernisation of BF-1 and Electrical steel complex at Vijayanagar and Capacity Expansion project from 3.3 MTPA to 5 MTPA at Dolvi are progressing satisfactorily, and is likely to complete as per schedule.

Outlook:

Despite a weak 1QCY14 and a less optimistic outlook for several emerging market economies, World economy is expected to grow at 3.4% in CY14 - up from 3.2% in CY13. Global recovery continues to be underpinned by output expansion in Advanced Market Economies (AMEs).

During 1HCY14, global steel production grew by 2.5%YoY which appears to be commensurate with global steel demand growth forecast of > 3% for CY14. The regional HRC prices, with the exception of North America, marginally softened in 2QCY14 mirroring continued softness in raw material prices, and steel exports from China and Korea remain at elevated levels. However, steel prices are likely to remain range bound amidst broad based steel demand growth expectation for CY14.

Indian economy appears to be recovering with stable rupee, moderating Inflation, external demand, and improving industrial activities. Improving business sentiment, new government's thrust on affordable housing and push for infrastructure investment augurs well for steel consumption.

Meanwhile, divergent to global trends, increasing Iron Ore prices in India coupled with uncertainty of availability is impacting the performance of Indian steel industry. Indian crude steel production increased marginally by 1.1%YoY. Steel demand came in at 0.7%YoY during 1QFY15 with an uptick in construction, passenger vehicles and tubular segments, and is expected to improve in 2HFY15.

A surge in imports at concessional duty rates under FTA with Japan and Korea, and rising imports of base-grade-boron-added steel products from China (exported by China in the guise of incentivised Alloy-Steel) is worrisome. Thus, while the Indian economy is on a recovery path, the government needs to take due cognizance of the growing impediments of Iron Ore availability in the domestic market along with surging imports.

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 interest in mining, carbon steel, power, industrial gases, ports and cement. JSW Steel Limited is engaged in manufacture of flat and long products viz. H R Coils, CRCoils, Galvanised products, Galvalume products, Colour coated products, auto grade / white goods grade CRCA Steel, Bars and Rods. Incorporated in 1994, it has grown to about US \$11 billion. 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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