

Financial Results for the third quarter and the nine months ended 31<sup>st</sup> Dec, 2016

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Third Quarter and the Nine Month ended 31st Dec, 2016 ("3Q FY2017" or the "Quarter" and "9M FY2017" or the "Nine Month").

Key highlights of the quarter:
**Standalone Performance:**

- Quarterly Crude Steel production: 3.86 million tonnes, up by 43% YoY
- Quarterly Saleable Steel sales: 3.64 million tonnes, up by 43% YoY
- Highest ever Total income from operations: ₹14,583 crores
- Operating EBITDA: ₹2,809 crores

**Consolidated Performance:**

- Highest ever Total income from operations: ₹15,312 crores
- Operating EBITDA: ₹2,867 crores

Operational Performance:

The current quarter was marked by a drag on steel demand due to liquidity issues after demonetization that led to lower volume of production and sales sequentially. The impact on long products demand was more pronounced as activity levels in the construction/real estate sectors and retail sales slowed down considerably. In this backdrop, JSW Steel reported crude steel production of 3.86 million tonnes and saleable steel sales of 3.64 million tonnes, both growing by 43%YoY during the quarter. The Company focused on enriching the product mix and increased value added & special products sales, which grew 38%YoY in 3Q FY2017. The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	3Q FY2017	3Q FY2016	%YOY Growth	9M FY2017	9M FY2016	%YOY Growth
<b>Production: Crude Steel</b>	<b>3.86</b>	<b>2.70</b>	<b>43%</b>	<b>11.70</b>	<b>9.36</b>	<b>25%</b>
<b>Sales:</b>						
- Rolled: Flat	2.79	1.86	50%	8.07	6.77	19%
- Rolled: Long	0.73	0.66	12%	2.28	1.93	18%
- Semis	0.12	0.03	-	0.47	0.15	-
<b>Total Saleable Steel</b>	<b>3.64</b>	<b>2.55</b>	<b>43%</b>	<b>10.82</b>	<b>8.84</b>	<b>22%</b>

Mr. Seshagiri Rao, Joint MD, JSW Steel and Group CFO said, "Our rising production and sales volumes despite sluggish domestic demand is a testament to our leading market presence and reliability as a trusted steel producer of the country. Focus on improving

efficiencies and keeping a tight leash over operating costs helped us offset the impact of a sharp increase in raw material costs to a large degree.”

#### Transition to Ind-AS Reporting

*The Company has adopted the Indian Accounting Standard (“Ind-AS”) with effect from 1<sup>st</sup> April 2016 and the financial results for the quarter ended 31<sup>st</sup> December 2016 have been prepared in accordance with the recognition and measurement principles laid down in the Ind-AS 34 Interim Financial Reporting (prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder). The results for the quarter & nine months ended 31<sup>st</sup> December 2015, and year ended 31<sup>st</sup> March 2016 have been restated to comply with Ind-AS to make them comparable.*

#### Standalone Financial Performance:

JSW Steel recorded total income from operations for the quarter of ₹14,583 crores. The Operating EBITDA for the quarter stood at ₹2,809 crores and EBITDA margin for the quarter stood at 21.0%. The net profit after tax stood at ₹819 crores for the quarter.

Gearing (Net Debt to Equity) at the end of the quarter stood at 1.72x (as against 1.75x at the end of 2Q FY2017) and Net Debt to EBITDA stood at 3.72x (as against 4.41x at the end of 2Q FY2017).

“The industry will have to bear the full impact of rising raw material prices in the coming quarter. Though spot coking coal prices currently stand at around USD 175/t from its peak of USD 310/t in November 2016. Coking coal prices in-fact doubled over prices in January 2016. Seaborne iron ore prices continue to be on an upswing.” Mr Rao added.

#### Subsidiaries Performance:

##### JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production (Galvanized/Galvalume products) and sales volume of 0.43 million tonnes. Total income from operations and Operating EBITDA for the quarter stood at ₹2,437 crores and ₹142 crores, respectively. Net Profit after Tax was ₹55 crores for the quarter.

##### US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 42,291 net tonnes of Plates and 11,585 net tonnes of Pipes, reporting a capacity utilization of 18% and 8%, respectively, during the quarter. Sales volumes for the quarter stood at 31,009 net tonnes of Plates and 11,544 net tonnes of Pipes. It reported an EBITDA Loss of \$4.36 million for the quarter.

#### Consolidated Financial Performance

JSW Steel recorded Total income from operations of ₹15,312 crores for the quarter. The Consolidated Operating EBITDA for the quarter stood at ₹2,867 crores and EBITDA margin for the quarter stood at 20.5%. The company reported net profit after tax of ₹730 crores for the quarter, after incorporating the financials of subsidiaries, joint ventures and associates.

Net gearing (Net Debt to Equity) at consolidated level was 2.11x at the end of the quarter (as against 2.15x at the end of 2Q FY2017), and Net Debt to EBITDA at consolidated level stood at 4.02x (as against 4.82x at the end of 2Q FY2017).

### Other key updates:

**The National Award for Supply Chain and Logistics Excellence:** The Company has won the award by Confederation of Indian Industry (CII) under steel industry Category in its 3<sup>rd</sup> edition of the Supply Chain and Logistics Excellence (Scale) Awards.

**Accreditation with level 5 for Total Cost Management (TCM):** The company has been accredited with Level 5 (an exemplary rating – highest in the category) by TCM division of CII for TCM Maturity Model Assessment.

**The National Energy Conservation Award 2016** by the 'Bureau of Energy Efficiency' – a statutory body under Ministry of Power: The Vijayanagar Works won the 2<sup>nd</sup> Prize in the category of "Integrated Steel Sector", and the Kalmeshwar Works also won 2<sup>nd</sup> Prize in the category of "Steel Re-Rolling Mills Sector".

### Outlook:

As per the International Monetary Fund (IMF), the 2017 outlook for advanced economies has improved. This is also reflected in the recent data print indicating that the US growth recovery is robust enough for the Fed to carry out another rate increase. Japan's GDP growth also improved in 3QCY16 – manufacturing PMI has remained above 50 for the 4<sup>th</sup> consecutive month. The Euro area growth also appears to be resilient in the face of the Brexit shock, however, with impending elections in a few countries, political risk will have to be watched out for. However, growth prospects in 2017 have marginally worsened for emerging markets and developing economies. Though China's 2017 growth outlook has been revised up to 6.5%, it is still lower than the 6.7% growth in 2016. India's growth projection for 2017 has been revised down to 7.2%. Despite all this, overall global growth projection for 2017 remains unchanged at 3.4%, amidst uncertainties around the US policies and their implications for the global economy.

World crude steel production increased by 0.8% YoY in CY2016, despite the continued weakness in demand, and Chinese steel production grew by 1.2%YoY during the year. With a surge in production not being supported by commensurate domestic demand, exports from steel surplus countries like China, Japan, Korea and Russia continue to remain at elevated levels. The Japanese and Korean exports continue to be at prices which are at a discount to the respective domestic market prices.

Coking coal price for 1QCY17 contract has been settled at \$285/t and seaborne Iron ore prices continue to firm up. This is expected to keep steel prices range-bound. Trade remedial measures will continue to influence global steel trade.

In India, rising imports of steel is a cause of concern as domestic steel demand remains weak. During 9MFY17, crude steel production increased by 8.8% YoY whereas apparent finished steel consumption grew by just 3.4%YoY. At the same time, the imports have surged to ~10MTPA on an annualized basis in Dec'16, up by 33% over Nov'16; back to pre MIP levels. This necessitates a serious relook at the trade remedial measures for appropriate revision to stem the surge in imports.

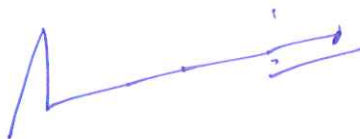
The tepid steel demand reflects weak investment cycle, and the digital push and re-monetization is expected to restore normalcy in demand. The upcoming budget will be key with regard to government's policies to stimulate infrastructure investment and consumption growth via higher public spending and lower tax rates.



*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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