

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 Mar, 2017 ("4Q FY2017" or the "Quarter" and "FY 2017" or the "Year").

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

- Highest ever Crude Steel production: 4.10 million tonnes up by 28%YoY
- Highest ever Steel sales: 3.96 million tonnes, up by 20% YoY
- Highest ever Revenue from operations: ₹16,952 crores, up by 60%YoY
- Operating EBITDA: ₹3,004 crores, up by 55%YoY
- Net profit after tax: ₹1003 crores, up by 173 %YoY

Consolidated Performance:

- Highest ever Revenue from operations: ₹17,917 crores, up by 53%YoY
- Operating EBITDA: ₹3,165 crores, up by 64 %YoY
- Net profit after tax: ₹1,009 crores, up by 235%YoY
- Net Debt to Equity: 1.85x and Net Debt to EBITDA: 3.41x

Key highlights of the year FY2017:**Standalone Performance:**

- Highest ever Crude Steel production: 15.80 million tonnes, up by 26% YoY
- Highest ever Steel sales: 14.77 million tonnes, up by 22% YoY
- Highest ever Revenue from operations: ₹56,913 crores, up by 39%YoY
- Highest ever Operating EBITDA: ₹11,543 crores, up by 81%YoY
- Highest ever Net profit after tax: ₹3,577 crores

Consolidated Performance:

- Highest ever Revenue from operations: ₹60,536 crores, up by 32%YoY
- Highest ever Operating EBITDA: ₹12,174 crores, up by 90%YoY
- Highest ever Net profit after tax: ₹3,467 crores

Operational performance:

The current quarter was marked by headwinds of a weak steel demand in the domestic market amidst poor liquidity post de-monetization as well as a surge in raw material prices. In this backdrop, the Company strategically enhanced export sales to offset domestic slowdown, with continued focus on enriching the product mix. The Company has recorded its highest ever Crude Steel production for the quarter at 4.10 million tonnes, up 28%YoY and 6%QoQ. It also achieved the highest ever quarterly sales volume of 3.96 million tonnes growing by 20%YoY and 9%QoQ.



With the ramp up of newly commissioned facilities in a record time, for the full year FY2017 the company reported Crude Steel production growth of 26%YoY at 15.80 million tonnes, slightly ahead of the guidance for the year. Saleable Steel sales volume for the year grew by 22%YoY to 14.77 million tonnes, as domestic steel demand, especially for long products, was adversely impacted by de-monetisation. However, sales of value added products grew by 17% YoY to 5.06 million tonnes for FY2017.

The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	4Q FY2017	4Q FY2016	%YOY Growth	FY 2017	FY 2016	%YOY Growth
Production: Crude Steel	4.10	3.21	28%	15.80	12.56	26%
Sales:						
- Rolled: Flat	2.90	2.44	19%	10.97	9.20	19%
- Rolled: Long	0.78	0.78	-	3.06	2.71	13%
- Semis	0.27	0.07	310%	0.74	0.21	250%
Total Saleable Steel	3.96	3.28	20%	14.77	12.13	22%

Transition to Ind-AS Reporting

The Company has adopted Indian Accounting Standard ("Ind-AS") with effect from 1st April 2016 and the financial results for the year ended 31st March 2017 has been prepared in accordance with the recognition and measurement principles stated therein, prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder. The results for the quarter & year ended 31st March 2016 have been restated to comply with Ind-AS to make them comparable.

Standalone financial performance:

JSW Steel recorded Revenue from operations for the quarter of ₹16,952 crores. Despite the headwinds of competitive pressure in domestic market with a surge in domestic steel production, elevated level of imports and cost pressures due to raw material price volatility and availability, the Operating EBITDA for the quarter stood at ₹3,004 crores and EBITDA margin for the quarter stood at 19.0%. The net profit after tax stood at ₹1,003 crores for the quarter.

Revenue from operations for FY2017 stood at ₹56,913 crores, up 39% YoY. This was driven by industry leading sales volume growth of 22% YoY. Moreover, the Company undertook multiple performance improvement initiatives during the year – from diversified sourcing strategy, optimization of logistics costs, procurement costs, to focus on yields and productivity. As a result, the Operating EBITDA for the year grew by 81%YoY ₹11,543 crores. The company posted a net profit of ₹3,577 for FY2017 as compared to the net loss of ₹ 3,530 crores for FY2016.

Gearing (Net Debt to Equity) at the end of the quarter stood at 1.53x (as against 1.72x at the end of 3Q FY2017) and Net Debt to EBITDA stood at 3.20x (as against 3.75x at the end of 3Q FY2017).

Subsidiaries performance:

JSW Steel Coated Products: During the quarter, JSW Steel Coated Products registered a production (Galvanized/Galvalume products) of 0.43 million tonnes and sales volume of 0.44 million tonnes. It has recorded revenue from operations and Operating EBITDA for the quarter at ₹2,732 crores and ₹161 crores, respectively. Net Profit after Tax stood at ₹69 crores for the quarter.

US Plate and Pipe Mill: The US based Plate and Pipe Mill facility produced 47,015 net tonnes of Plates and 12,803 net tonnes of Pipes, reporting a capacity utilization of 19% and 9%, respectively, during the quarter. Sales volumes for the quarter stood at 34,793 net tonnes of Plates and 13,047 net tonnes of Pipes. It reported an EBITDA of \$1.31 million for the quarter.

Consolidated financial performance

JSW Steel recorded Revenue from operations of ₹17,917 crores for the quarter. The Consolidated Operating EBITDA for the quarter improved by 64%YoY to ₹3,165 crores and EBITDA margin for the quarter stood at 19.0%. The net profit after tax increase to ₹1,009 crores for the quarter after incorporating the financials of subsidiaries, joint ventures and associates.

Revenue from operations for FY2017 stood at ₹60,536 crores. The Operating EBITDA stood at ₹12,174 crores— registering an increase of 90%YoY. The company reported a Net profit of ₹3,467 crores for FY2017 as compared to the net loss of ₹481 crores for FY2016.

Net gearing (Net Debt to Equity) at consolidated level was 1.85x at the end of the quarter (as against 2.11x at the end of 3Q FY2017). More importantly, Net Debt to EBITDA at a consolidated level was restored within targeted levels and stood at 3.41x (as against 4.05x at the end of 3Q FY2017).

Projects and Capex update:

At the beginning of the year, the Company had commercially commissioned the three Blast Furnaces which were under shutdown for relining and modification/ capacity augmentation (one at each location viz. Vijayanagar, Dolvi and Salem works). Post commissioning, the company has been able to rapidly stabilize and ramp-up operations at the new facilities and achieved an overall capacity utilization rate of ~88% for the year, meeting its production guidance. Other ongoing projects are also progressing satisfactorily and are likely to complete as per schedule.

Key new projects:

The Union Cabinet has recently approved the National Steel Policy (NSP), 2017 which provides a long term vision to give thrust to the steel sector. It aims at enhancing domestic steel consumption, ensuring high quality steel production, and creating a technologically advanced and globally competitive steel industry. The government envisages domestic steel consumption to grow by 7% p.a. through 2030, and, consequently, India would require steelmaking capacity of 300 million tonnes by then vis-a-vis current capacity of ~128 million tonne.

In this context, the Board of the Company has approved the following key new investment projects to expand overall steelmaking capacity, lower operating costs and enrich product mix, along with a few other strategic projects with very low payback

period related to mining/environment/safety. These key projects will be set-up at a very competitive capital cost and will be returns accretive.

Some of the Key Projects are:

- 1) **Augmenting Crude Steel capacity at Dolvi works to 10 MTPA:** The steelmaking capacity at Dolvi Works will be increased from existing 5 MTPA to 10 MTPA. The major facilities included in the project are a 4.5 MTPA Blast furnace with 5 MTPA Steel Melt Shop, 5 MTPA Hot Strip Mill, 5.75 MTPA Sinter plant, 4 MTPA Pellet plant, and 4 Kilns of 600 TPD LCPs. The company has already acquired the land and necessary statutory approvals in place. The estimated project cost is ₹15,000 cores and the project is expected to be completed by March 2020.
- 2) **Revamp and capacity Up-gradation of BF-3 at Vijayanagar Works from 3.0 MTPA to 4.5 MTPA:** BF-3 at Vijayanagar works is to be revamped and upgraded from 3 MTPA to 4.5 MTPA, along with the associated auxiliary units. Post completion of this project, the existing high cost operations at BF-2 will be shut down, so that overall Vijayanagar works capacity remains at 12 MTPA. This will help to lower the operating costs. The estimated project cost is ₹1,000 cores and the project expected to be commissioned in a period of 20 months.
- 3) **Capacity expansion of CRM-1 complex at Vijayanagar Works as well as modernization-cum-capacity enhancement at downstream facilities of JSW Steel Coated Products Limited:** The company continues to remain focused towards enriching the product mix, and, looking at the growing demand for construction as well as appliance grade products, the following projects are being undertaken:
 - a) Increase capacity of CRM-1 complex at Vijayanagar from 0.85 MTPA to 1.80 MTPA along with two Continuous Galvanizing Line of 0.45 MTPA each, a new 1.2 MTPA Continuous Pickling Line for HRPO products, and a new 0.80 MTPA HR Skin Pass Mill for HR Black & HRSPO products. The estimated project cost is ₹2,000 cores and the project is expected to be completed by September 2019.
 - b) Modernisation and capacity enhancement of Vasind and Tarapur downstream facilities. The modernisation cum capacity enhancement project includes: i) increase in net cold rolling capacity by 0.96 MTPA by replacing existing 6 CR mills with 2 Batch Tandem CR mills one each at Vasind and Tarapur, ii) increase in GI/GL capacity by 0.63 MTPA, and iii) increase in colour coating capacity by 0.08 MTPA. The project cost is estimated at ₹1,200 cores and the project is expected to be completed by April 2019.

Dividend:

Considering the Company's performance and financial position for the year under review, the Board, subject to the approval of the Members at the ensuing Annual General Meeting, has recommended a dividend of ₹1 per share on 27,90,34,907 10% Cumulative Redeemable Preference Shares (CRPS) of ₹ 10 each, for the year ended March 31, 2017.

The Board has, further, recommended dividend at ₹2.25 per equity share on the 2,41,72,20,440 equity shares of ₹1 each for the year ended March 31, 2017, 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 ₹654.6 crores, vis-a-vis ₹218.2 crores paid for FY16.

Volume Guidance:

The Production and Sales guidance for FY 2017-18 is given below:

Particulars	FY'17 (Actual)	FY'18 (Estimated)	Growth (YoY)
Crude Steel Production (million tonnes)	15.80	16.50	4.4%
Saleable Steel Sales (million tonnes)	14.77	15.50	4.9%

Outlook:

Global growth outlook is constructive with improving momentum in both advanced as well as key emerging market economies. The US economic growth outlook is robust despite a weak 1QCY2017. The Euro area continues to see moderate growth supported by expansionary monetary policy, rising exports and stable consumer spending. Japan is also seeing better activity levels driven by export growth, policy support and improved corporate profits. China, despite the risks related to rapid expansion of credit and its dependence on policy stimulus measures, is expected to achieve a managed deceleration of growth within targeted levels. The International Monetary Fund (IMF) has revised up its projections for CY2017 World Economic Growth to 3.5% compared to 3.1% growth in CY2016.

The World Steel Association (WSA) forecasts that global finished steel demand will grow by ~20 million tonnes in CY2017 primarily driven by growth in India and ASEAN-5, whereas Chinese steel demand is expected to remain flattish. However, 1QCY2017 crude steel production is already up by ~22 million tonnes on YoY basis with improved capacity utilization in most of the regions – with China reporting an increase in steel production by 8.8 million tonnes in this period. Steel exports from Japan and Korea continue to remain at elevated levels with pricing at a discount to their domestic market prices. Chinese steel exports are lower amidst increasing trade remedial measures by importing countries, as well as a pick-up in its real estate sector and sharp re-stocking demand in the country before the Lunar New Year holidays. In this environment, global steel trade will continue to be driven by increasing trade remedial measures.

In the absence of further supply-demand disruption, raw material prices are easing off and volatility is receding. However, coking coal contract prices for 2QCY2017 is expected to settle at a price higher than the current spot and this is expected to keep steel prices range-bound.

In India, crude steel production increased by 8.5%YoY whereas apparent finished steel consumption grew by 2.6%YoY in FY2017, as second-half demand was impacted by poor liquidity post de-monetization. At the same time, steel imports remained at ~8 million tonnes on annualized basis despite various trade remedial measures. There appears to be some amount of circumvention, which, in turn calls for stringent monitoring mechanism.

In India, overall consumer discretionary spending, public capex on 'Rurban' infrastructure development and foreign direct investment have continued to improve, supporting a gradual growth recovery. Steel demand is expected to benefit from rising infrastructure spend and improving consumer demand in FY2018. The allocation for infrastructure development at Rs.4 trillion in the Union Budget with thrust on affordable

housing, water and gas pipelines, renewable energy and road sector, and expected recovery in rural demand on the back normal monsoon expectations augurs well for steel consumption growth in the country. We expect Indian steel demand to grow by ~4 million tonnes i.e. ~5% in FY2018.

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.



Media contact:

Mithun Roy
Media strategy & communications,
JSW Group, Mumbai (India).
Mobile: +91-9819000967
Email: mithun.roy@jsw.in