

JSW Steel reports highest ever Quarterly Production, Sales, EBITDA & PAT

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, 2017 ("3Q FY2018" or the "Quarter" and "9M FY2018" or the "Nine Month").

Key highlights of the quarter:

Standalone Performance:

- Highest ever Crude Steel production : 4.11 million tonnes, up by 7% YoY
- Highest ever Saleable Steel sales : 3.97 million tonnes, up by 9% YoY
- Revenue from operations : ₹ 16,453 crores, up by 13% YoY
- Highest ever Operating EBITDA: ₹ 3,573 crores, up by 29% YoY
- Highest ever PAT : ₹ 1,126 crores, up by 37% YoY

Consolidated Performance:

- Highest ever Saleable Steel sales : 4.03 million tonnes, up by 12% YoY
- Revenue from operations : ₹ 17,861 crores, up by 17% YoY
- Highest ever Operating EBITDA : ₹ 3,851 crores, up by 37% YoY
- Highest ever PAT : ₹ 1,774 crores, up by 148% YoY

Operational Performance:

The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	3Q FY2018	3Q FY2017	%YOY Growth	9M FY2018	9M FY2017	%YOY Growth
Production: Crude Steel	4.11	3.86	7%	11.96	11.70	2%
Sales:						
- Rolled: Flat	2.80	2.79	-	8.20	8.07	2%
- Rolled: Long	0.90	0.73	23%	2.51	2.28	10%
- Semis	0.27	0.12	134%	0.69	0.47	48%
Total Saleable Steel	3.97	3.64	9%	11.40	10.82	5%

The Company achieved highest ever quarterly Crude Steel production during the quarter at 4.11 million tonnes, a growth of 7% YoY, primarily due to enhanced operational efficiencies at Dolvi works and improved water availability at its Salem works in Tamil Nadu.

The Company also achieved highest ever quarterly Saleable steel sales volume of 3.97 million tonnes, an increase of 9% YoY. The Company focused on increasing exports sales volume (up 24% QoQ), especially for long products, to leverage upon a robust demand and pricing environment in international markets, thus leading to a liquidation of stocks sequentially. The Company also achieved the highest ever consolidated quarterly Saleable Steel sales volume of 4.03 million tonnes, which increased 12% YoY.

The company remained focused on enriching the product mix and the overall sales of value added and special products grew by 8% YoY (accounting for 57% of total sales).

Standalone Financial Performance:

The Company recorded revenue from operations for the quarter of ₹ 16,453 crores, up by 13% YoY. Despite higher prices of iron ore and coal, operating EBITDA for the quarter increased by 29% YoY to ₹ 3,573 crores, aided by higher sales volumes and improved sales realisation, with EBITDA margin standing at 21.7%. The net profit after tax increased by 37% YoY to ₹ 1126 crores. Operating EBITDA increased by 22% QoQ, while PAT increased by 33% QoQ. The Company has recognised an impairment provision of ₹ 234 crores for certain loans and investments in relation to surrender of one of its iron ore mine in Chile.

The net gearing (Net Debt to Equity) stood at 1.53x at the end of the quarter (as against 1.62x at the end of 2Q FY2018) and Net Debt to EBITDA stood at 3.40x (as against 3.66x at the end of 2Q FY2018).

Subsidiaries' Performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume (Galvanised/Galvalume products) of 0.35 million tons and sales volume of 0.51 million tonnes. Volumes were impacted by planned shutdown of its two Galvanizing lines at Tarapur works for maintenance and revamping to enhance production capacities. Revenue from operations and Operating EBITDA for the quarter stood at ₹ 3,034 crores and ₹ 90 crores respectively. Spreads were impacted by delayed transmission of higher substrate prices.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 59,623 net tonnes of Plates and 15,109 net tonnes of Pipes, reporting a capacity utilization of 24% and 11%, respectively, during the quarter. Sales volumes for the quarter stood at 41,486 net tonnes of Plates and 16,044 net tonnes of Pipes. It reported an EBITDA of \$3.86 million for the quarter.

Exceptional Items during the Quarter

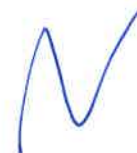
- a. Exceptional items for the quarter pertain to provision of ₹ 264 crores made for impairment towards Goodwill, Mining Development and advances relating to surrender of one of its iron ore mine in Chile, which have been recognised based on estimates.
- b. Pursuant to the enactment of Tax Cuts and Jobs Act by the United States of America on 22nd December, 2017, wherein the corporate Income tax rate has been reduced to 21%, the Group has recognised a reversal of deferred tax liabilities amounting to ₹ 572 crores during the quarter ended 31st December 2017 for the US businesses. This tax credit has been recognised in the tax expense item in the quarterly results.

Consolidated Financial Performance:

JSW Steel's consolidated Revenue from operations increased by 17% YoY to ₹ 17,861 crores for the quarter. Operating EBITDA increased by 37% YoY to ₹ 3,851 crores, implying a margin of 21.6%. The Net Profit after Tax for the quarter increased to ₹ 1,774 crores, after incorporating the financials of subsidiaries, joint ventures and associates. Operating EBITDA increased by 27% QoQ, while PAT increased by 112% QoQ.

The Net Debt decreased by ₹ 696 crores to ₹ 42,068 crores by the end of December 2017 and the weighted average interest rate decreased by 23 bps QoQ to 7.03%.

Net gearing (Net Debt to Equity) at consolidated level was 1.68x at the end of the quarter (as against 1.87x at the end of 2Q FY2018), and Net Debt to EBITDA at consolidated level stood at 3.32x (as against 3.67x at the end of 2Q FY2018).



Outlook

Global growth is firming up with a broad based recovery across emerging and developed markets. The US economy continues its strong performance with acceleration in industrial activities. The recent changes in the tax policy are expected to boost activities and investments within the country and for its trading partners. The Euro area remains on a strong footing with all the major economies in the region showing a good growth, supported by a pick-up in trade. Although the ECB has tapered the bond buying programme, the overall monetary policy remains supportive. Outlook for Japan remains stable with an improvement in manufacturing and stable consumer demand. China has surprised positively with the economy growing faster YoY for the first time in seven years. The growth outlook remains stable although the government has indicated its appetite for structural reforms in the coming months. In India, the momentum in economic activities is picking up post structural reforms.

World crude steel production increased by 5.3% in CY2017 to 1,691mt as production increased in almost all the major regions. As per WSA's October-16 forecasts, world steel demand is expected to grow by 1.6% in 2018, while the world-ex China demand is expected to grow by 3%. Given the strong underlying economic performance across the globe, there appear to be upside to these demand projections for 2018. Steel prices across all regions are buoyant and firm raw material prices are supportive. Chinese steel exports have declined by ~31% in CY2017 and has eased the supply pressure across various global markets, lending a support to price stabilisation amid improving demand.

India's steel demand growth improved in 3QFY2018 – largely due to the base effect. However, steel consumption is expected to grow strong on the back of government's push for infrastructure spending and strengthening consumer demand. While steel imports into the country have moderated in recent months, YTD import of flat products increased by 16% YoY. Import of coated products continues at an elevated level, pressurising domestic manufacturers. Import of colour coated products increased by a staggering 250% YoY. Imports from Korea, China and Japan constituted ~70% of total imports. Indian domestic steel prices are still lagging the international prices. A sharp increase in raw material prices has put a tremendous pressure on costs. However, increase in steel prices should alleviate the cost impact to some extent.

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 interests in mining, carbon steel, power, industrial gases, ports and cement. JSW Steel Limited is engaged in manufacture of flat and long products viz. hot rolled coils, cold rolled coils, galvanised products, galvalume products, colour coated products, auto grade / white goods grade flat products, bars and rods. Incorporated in 1994, 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.

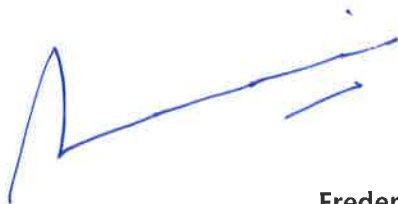
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