

JSW Steel delivers highest ever half yearly EBIDTA of ₹ 10,011 Crores

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Second Quarter and the Half Year ended 30th Sep, 2018 ("2Q FY2019" or the "Quarter" and "1H FY2019" or the "Half year").

Key highlights of the quarter:

Standalone Performance:

- Crude Steel production: 4.18 million tonnes, up by 6% YoY
- Saleable Steel sales: 3.96 million tonnes, up by 1% YoY
- Revenue from operations: ₹ 19,669 crores, up by 28% YoY
- Operating EBITDA: ₹ 4,802 crores, up by 64% YoY
- PAT: ₹ 2,284 crores, up by 170% YoY

Consolidated Performance:

- Quarterly Saleable Steel sales: 3.91 million tonnes lower by 1% YoY
- Revenue from operations: ₹ 21,552 crores, up by 25% YoY
- Operating EBITDA: ₹ 4,906 crores, up by 62% YoY
- PAT : ₹ 2,087 crores, up by 150% YoY
- Net Debt to Equity : 1.46x and Net Debt to EBIDTA : 2.35x

Operational Performance:

The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	2Q FY2019	2Q FY2018	%YOY Growth	1H FY2019	1H FY2018	%YOY Growth
Production: Crude Steel	4.18	3.94	6%	8.30	7.86	6%
Sales:						
- Rolled: Flat	2.87	2.83	1%	5.60	5.40	4%
- Rolled: Long	0.89	0.86	4%	1.76	1.61	9%
- Semis	0.20	0.24	-17%	0.43	0.42	2%
Total Saleable Steel	3.96	3.92	1%	7.79	7.43	5%

Crude Steel production during the quarter increased by 6% YoY to 4.18 million tonnes aided by higher capacity utilization at Vijayanagar and Salem works.

Standalone Saleable steel sales volume for the quarter was up by 1% YoY to 3.96 million tonnes. The Company liquidated a large part of the inventory that was built-up during the previous quarter and consequently sales volumes increased by 3% QoQ during the quarter.

Consolidated Saleable Steel sales stood at 3.91 million tonnes during the quarter, driven by 14% increase in offtake from OEM's and favorable international markets. The company strategically focused on increasing domestic sales volume, which witnessed a growth of 11% YoY in the quarter. Sales of value added and special products (VASP) accounted for 55% of total sales volumes and sales to automotive customers increased by 36% YoY during the year.

Standalone Financial Performance:

The Company recorded a growth of 28% YoY in revenue from operations for the quarter which stood at ₹ 19,669 crores, primarily driven by higher steel prices. Despite an increase in costs of key inputs like iron ore, coal, energy prices, electrodes, refractories and ferro alloys, operating EBITDA for the quarter surged by 64% YoY to ₹ 4,802 crores and EBITDA margin stood at 24.4%. The net profit after tax increased by 150% YoY to ₹ 2,284 crores.

The net gearing (Net Debt to Equity) stood at 1.30x at the end of the quarter (as against 1.21x at the end of Q1 FY2019) and Net Debt to EBITDA stood at 2.22x (as against 2.20x at the end of Q2 FY2019).

Subsidiaries' Performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume (Galvanised/Galvalume products) of 0.46 million tons and sales volume of 0.45 million tonnes. Revenue from operations and Operating EBITDA for the quarter stood at ₹ 3,144 crores and ₹ 88 crores respectively. It reported a Net Profit after Tax of ₹ 13 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 80,241 net tonnes of Plates and 19,877 net tonnes of Pipes, reporting a capacity utilization of 34% and 14%, respectively, during the quarter. Sales volumes for the quarter stood at 75,179 net tonnes of Plates and 19,884 net tonnes of Pipes. It reported an EBITDA of \$5.50 million for the quarter.

Consolidated Financial Performance:

JSW Steel's consolidated Revenue from operations increased by 25% YoY to ₹ 21,552 crores for the quarter. Operating EBITDA increased by 62% YoY to ₹ 4,906 crores, implying a margin of 22.8%. The Net Profit after Tax for the quarter increased by 150% YoY to ₹ 2,087 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

Net debt during the quarter increased, mainly due to consummation of the previously announced acquisitions, increase in working capital due to higher volumes and prices, and impact of currency depreciation.

The Company's Balance sheet continues to remain strong with consolidated Net gearing (Net Debt to Equity) at 1.46x and Net Debt to EBITDA of 2.35x at the end of the quarter.

Merger and Acquisitions update

Pursuant to the Corporate Insolvency Resolution process under the Insolvency Bankruptcy Code, 2016 initiated on 18 July 2017, the National Company Law Tribunal ('NCLT') on 24 July 2018 approved (with modifications) the resolution plan submitted by the consortium of JSW Steel Limited and AION Investments Private II Limited. The consortium completed the acquisition of Monnet Ispat & Energy Limited ("MIEL") through their joint venture Creixent Special Steels Limited ("CSSL") on 31 August 2018. The impact of the Resolution Plan has been given effect to on the acquisition date. Consequently, MIEL has become a Joint venture of the Company. MIEL has a steel plant in Chhattisgarh with Blast furnace and DRI facility of 1.5 MTPA.

On 24 July 2018, the Company through its wholly owned subsidiary in Italy, JSW Steel Italy S.r.l, completed acquisition of 100% shares each of Aferpi S.p.A ("Aferpi") and Piombino Logistics S.p.A ("PL") and 69.27% of the shares of GSI Lucchini S.p.A ("GSI") (collectively referred to as "Targets") for a consideration of Rs. 482 crores (Euro 59.90 million) towards acquisition of equity shares and Rs. 100 crores (Euro 12.38 million) towards acquisition of loans provided by the erstwhile shareholders of the target.

Other Key Updates

Projects and Capex update:

The following projects are likely to be commissioned in Q3 FY2019

- Coke oven plant of 1.5 MTPA at Dolvi
- Tin Plate with capacity of 0.25 MTPA at Tarapur
- Pipe conveyor project at Vijayanagar for iron ore transportation

All the other key projects viz. augmenting crude steel capacity at Dolvi works to 10.7 MTPA, revamping and capacity up-gradation of BF-3 & capacity expansion of CRM-1 complex at Vijayanagar works, modernization-cum-capacity enhancement at downstream facilities of JSW Steel Coated Products and strategic cost savings projects are progressing satisfactorily for commissioning as per schedule.

Corporate Updates

With the objective of simplifying the corporate structure and enhancing operating efficiencies, the Board of Directors of the Company at their meeting held on October 25, 2018, considered and approved the Scheme of Amalgamation pursuant to sections 230 - 232 and other applicable provisions of the Companies Act, 2013, providing for the merger of its wholly owned subsidiaries, Dolvi Minerals and Metals Private Limited, Dolvi Coke Projects Limited, JSW Steel Processing Centres Limited, and JSW Steel (Salav) Limited with JSW Steel Limited.

The Company is in the midst of implementing and pursuing multiple organic as well as inorganic growth opportunities. With the objective of further strengthening the Balance Sheet of the Company, the Board of Directors of the Company have considered and accorded an in-principle approval for a rights issue of upto Rs 5,000 crores.

Outlook

The International Monetary Fund (IMF) has trimmed CY 2018 global growth forecast to 3.7% (from 3.9%) citing that growth is becoming less balanced. The US economy continues to grow underpinned by strong labour markets, fiscal impulse from tax cuts and enhanced government spending. The Euro area growth remains above trend, but rising political uncertainty and trade

fears pose risks to the growth prospects. Japan's growth outlook is strong on the back of rising investments, budgetary support and healthy private consumption. China's growth rate continues to soften in an orderly manner despite concerns over moderation in external demand and regulatory tightening of financial sector. Fiscal and monetary policy measures are underway to avoid any hard landing.

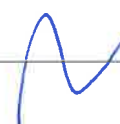
However, firm crude oil prices, strong US Dollar and escalating trade measures pose risks to the growth outlook.

The World Steel Association (WSA) has upgraded its global finished steel demand growth estimates for CY 2018 to 2.1% from 1.8%, primarily due to higher real demand growth from China (revised up from 0% to 2%). Even world ex-China demand is estimated to grow by 2.1% in 2018. However, increasing trade tensions, volatile currency movements and uneven growth are increasing uncertainty for sustainability of global steel demand growth.

In India, a strong momentum in government spending on infrastructure is driving the increase in Gross Fixed Capital (GFC) formation. Consumer demand continues to drive vehicle production and consumer durable volumes. Rural demand momentum continues to remain firm underpinned by higher disposal income and higher Minimum Selling Price (MSP) for the agriculture products. The IIP and manufacturing PMI has moderated in recent months given headwinds from higher input prices. The interest rate cycle has an upward bias with rising input prices and robust domestic demand. However, high oil prices, surging inflation, deficit rainfall and tight liquidity conditions continue to pose risks to growth outlook. FY2019 growth outlook remains underpinned by momentum in government spending and consumer demand

India's Q2 FY2019 crude steel production grew by 4.2% YoY, while the apparent finished steel consumption grew by 6.8%. WSA has also increased India's steel demand growth estimates for CY 2018 to 7.5% from 5.5% on strong infrastructure spend and growth in consumer demand for automotive and white goods.

About JSW Steel : JSW Steel is a part of the diversified US\$ 13 billion JSW Group, which has a presence in Steel, Energy, Infrastructure, Cement, Ventures and Sports. JSW Steel is the leading integrated steel company with an installed steel-making capacity of 18 MTPA in India. JSW Steel's plant at Vijayanagar in Karnataka, is the largest single location steel producing facility in the country with a capacity of 12 MTPA.



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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