

JSW Steel post 17% higher EBIDTA at ₹ 4,501 crores

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the third quarter and the nine months ended 31st Dec, 2018 ("3Q FY2019" or the "Quarter" and "9 months FY2019").

Key highlights of the quarter:
Standalone Performance:

- Crude Steel production: 4.23 million tonnes, up by 3% YoY
- Saleable Steel sales: 3.68 million tonnes, down by 7% YoY
- Revenue from operations: ₹ 18,393 crores, up by 9% YoY
- Operating EBITDA: ₹ 4,438 crores, up by 24% YoY
- PAT: ₹ 1,892 crores, up by 68% YoY

Consolidated Performance:

- Quarterly Saleable Steel sales: 3.62 million tonnes, lower by 10% YoY
- Revenue from operations: ₹ 20,318 crores, up by 11% YoY
- Operating EBITDA: ₹ 4,501 crores, up by 17% YoY
- PAT: ₹ 1,603 crores, down by 10% YoY
- Net Debt to Equity : 1.40x and Net Debt to EBITDA : 2.32x

Operational Performance:

The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	3Q FY2019	3Q FY2018	%YOY Growth	9M FY2019	9M FY2018	%YOY Growth
Production: Crude Steel	4.23	4.11	3%	12.52	11.96	5%
Sales:						
- Rolled: Flat	2.61	2.80	-7%	8.21	8.20	-
- Rolled: Long	0.89	0.90	-1%	2.66	2.51	6%
- Semis	0.17	0.27	-37%	0.60	0.69	-13%
Total Saleable Steel	3.68	3.97	-7%	11.46	11.40	1%

Crude Steel production during the quarter increased by 3% YoY to 4.23 million tonnes aided by higher capacity utilization at both Vijayanagar and Dolvi works. With 9MFY2019 production at 74.7% of FY2019 guidance, the company is on track to achieve the crude steel production guidance of 16.75 MTPA for FY2019.

As domestic demand remained firm during the quarter, the company strategically focused on increasing sales to domestic markets. However, exports during the quarter dropped sharply as both steel demand and pricing in international markets witnessed a soft patch, driving overall destocking and weak offtake. As a result, saleable steel sales volume for the quarter stood at 3.68 million tonnes, which was lower by 7% YoY

With 9MFY2019 sales volumes at 71.6% of full year guidance, and lost volumes unlikely to be recouped during the fourth quarter, the Company's overall sales volumes for FY2019 is likely to fall short of our guidance of 16 MTPA by 2 to 3%.

On a consolidated basis, the company continued to gain market share as domestic sales surged by 15% YoY, with sales to the Automotive sector increasing by 23% YoY. However, exports declined by 70% YoY due to muted demand and weak pricing, and exports accounted for only 10% of total sales. As a result, consolidated saleable steel sales declined by 10% YoY to 3.62 million tonnes during the quarter. Sales of value added and special products (VASP) accounted for 54% of total sales volumes.

Standalone Financial Performance:

The Company's revenue from operations increased by 9% YoY to ₹18,393 crores, during the quarter, primarily driven by higher steel prices and better product mix. Despite an increase in costs of key inputs like iron ore, coal, energy prices, and other consumables, operating EBITDA for the quarter surged by 24% YoY to ₹4,438 crores and EBITDA margin stood at 24.1%. The net profit after tax increased by 68% YoY to ₹1,892 crores.

The net gearing (Net Debt to Equity) stood at 1.24x at the end of the quarter (as against 1.30x at the end of Q2 FY2019) and Net Debt to EBITDA stood at 2.16x (as against 2.22x 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 0.42 million tons and sales volume of 0.42 million tonnes.

Revenue from operations and Operating EBITDA for the quarter stood at ₹ 2,964 crores and ₹ 97 crores respectively. It reported a Net Profit after Tax of ₹ 18 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 91,183 net tonnes of Plates and 16,367 net tonnes of Pipes, reporting a capacity utilization of 38% and 12%, respectively, during the quarter. Sales volumes for the quarter stood at 69,634 net tonnes of Plates and 16,737 net tonnes of Pipes. It reported an EBITDA of \$4.06 million for the quarter.

JSW Steel USA Ohio Inc (Acero) :

The US based HR coil manufacturing facility produced 55,438 net tonnes of HRC during the quarter. Sales volumes for the quarter stood at 47,339 net tonnes. It reported an EBITDA loss of \$10.55 million for the quarter.

JSW Steel (Italy) S.r.l. (Aferpi) :

The Italy based Rolled long products manufacturing facility produced 68,036 tonnes and Sold 45,948 tonnes during the quarter. It reported an EBITDA loss of 7.36 million Euros for the quarter.

Consolidated Financial Performance:

JSW Steel's consolidated Revenue from operations increased by 11% YoY to ₹ 20,318 crores for the quarter. Operating EBITDA increased by 17% YoY to ₹ 4,501 crores, implying a margin of 22.2%. The Net Profit after Tax for the quarter declined by 10% YoY to ₹ 1,603 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The Company's Balance sheet continues to remain strong with consolidated Net gearing (Net Debt to Equity) stood at 1.40x at the end of the quarter (as against 1.46x at the end of Q2 FY2019) and Net Debt to EBITDA of 2.32x (as against 2.35x at the end of Q2 FY2019).

Projects and Capex update:

The following projects were completed in Q3 FY2019

- Battery A (0.75 MTPA) of Coke oven plant at Dolvi commenced commercial production from 1st November 2018 and Battery B (0.75 MTPA) is currently under trial run.
- Tin Plate line with a capacity of 0.25 MTPA at Tarapur is completed and under trial run.
- Pipe conveyor project at Vijayanagar for iron ore transportation – initial phases are under trial run.

All the other key projects viz. augmenting crude steel capacity at Dolvi works from 5 MTPA to 10 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.

The project to augment Dolvi capacity from 10 to 10.66 MTPA entailing increase in DRI capacity at Salav and modification of SMS at Dolvi for Hot Charging of DRI is currently under review pending receipt of requisite environmental clearances.

Outlook

The International Monetary Fund (IMF) has revised CY 2019 global growth forecast to 3.5% (from 3.7%). The US growth remains underpinned by tight labour markets, fiscal impulse and Federal Reserve's accommodative stance. The Euro area growth outlook has softened on back of weak industrial growth and soft private consumption. Japan's growth outlook remains firm aided by fiscal support expectations. Chinese growth has moderated, but calibrated fiscal and monetary policy measures are underway. However, escalating trade measures and political uncertainty pose risks to the global growth outlook.

Global Steel prices softened during the quarter driven by weaker demand and destocking. Chinese steel production and exports moderated during the quarter.

India continues to remain a bright spot and in CY2018 emerged as the second largest producer of steel globally, the third largest consumer globally, and had the distinction of witnessing the highest growth rate in steel consumption among major steel consuming markets. This, admittedly, has also made India a magnet to attract higher imports from steel surplus economies, especially from countries like Japan and South Korea who enjoy a Free Trade Agreement.

India's Q3 FY2019 crude steel production grew by 1.5% YoY, while the apparent finished steel consumption grew by 8.1%. Imports during this period surged by 7.9% YoY and exports declined by 39.5% YoY.

In India, a strong momentum in government spending on infrastructure is driving an increase in Gross Fixed Capital Formation (GFCF). Additional budgetary allocation in the Interim Budget 2019 towards infrastructure, railways and defense are key positives.

Additionally, a Fiscal stimulus of INR ~1 trillion in the Interim Budget via Direct Income Support scheme, pension benefits and tax rebates are expected to spur rural spending and aid overall consumer demand.

Tailwinds of recent decline in crude oil prices in late 2018, moderating inflation and easing liquidity are clearly visible. However, escalating international trade tensions are headwinds to exports.

About JSW Steel Ltd.: *JSW Steel Ltd. is the flagship company of the diversified US\$ 13 billion JSW Group which has a leading presence in sectors such as steel, energy, infrastructure, cement, sports among others. From a single manufacturing unit in the early 1980s, JSW Steel Ltd, today, is one of the foremost integrated steel company in India with an installed capacity of 18 MTPA, and has plans to scale it up in India and overseas. JSW Steel's manufacturing facility at Vijayanagar, Karnataka is the largest single location steel-producing facility in India with a capacity of 12 MTPA. The Company has been at the forefront of state-of-the-art, cutting-edge technology, research and innovation while laying the foundation for long-term growth. Strategic collaborations with global technology leaders to offer high-value special steel products for various applications across construction, automobile, appliances and other sectors. JSW Steel Ltd. has been widely recognised for its business and operational excellence. Key awards include Deming Prize for Total Quality Management at Vijayanagar (2018), DJSI RobecoSAM Sustainability Industry Mover Award (2018) among others.*

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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