

# Resilience and Growth

## 4QFY14 Results



	<p><b>SELF-SUFFICIENCY</b> STARTS WITH ENSURING RAW MATERIAL SUPPLIES</p>		<p><b>COST EFFICIENCY</b> DRIVES GROWTH IN A RESOURCE-SCARCE WORLD</p>		<p><b>TECHNOLOGICAL PROFICIENCY</b> ENHANCES GLOBAL COMPETITIVENESS</p>		<p><b>DIVERSE AND ENRICHED</b> PRODUCT MIX ENABLES WIDER MARKET REACH</p>		<p><b>MANAGEMENT EXPERTISE CATALYSES PROGRESS</b></p> 
									

## FY14 Challenges

- Weak economic activities and sluggish domestic demand
  - Constrained iron ore availability
  - Rising fuel and logistics costs
  - Sharp INR volatility
- 
- Rising competitive intensity
  - Weaker steel pricing
  - Higher iron ore cost
  - Pressure on conversion spreads
  - Earnings volatility below EBITDA

## JSW Steel's initiatives

- ✓ Focus on strengthening market penetration through widened distribution footprint and formats
  - ✓ Leveraged on well oiled export engine
  - ✓ Diversified sourcing strategy for inputs
  - ✓ Completion and ramp up of facilities to optimize costs including railway sidings at Dolvi and Vasind
  - ✓ Commissioned new facilities to enrich product mix
  - ✓ Prudent risk management measures
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- ✓ Enhanced market share, enriched product mix
  - ✓ Highest ever volumes, exceeding guidance
  - ✓ Highest ever revenue and operating EBITDA
  - ✓ Sustainable growth platform

## Standalone performance

- ✓ Highest ever –
  - Gross Turnover: ₹13,330 crore
  - Net Sales: ₹12,255 crore
  - Operating EBITDA: ₹2,496 crore
- ✓ Crude Steel production: 3.15 million tonnes
- ✓ Saleable Steel sales: 3.10 million tonnes
- ✓ Achieved 101% of FY14 production volume guidance and 103% of Sales volume guidance
- ✓ Net debt to equity: 1.10x and Net debt to EBIDTA: 3.03x

## Consolidated performance

- ✓ Highest ever –
  - Gross Turnover: ₹15,242 crore
  - Net Sales: ₹14,088 crore
  - Operating EBITDA: ₹2,529 crore
- ✓ Net debt to equity: 1.54x and Net debt to EBIDTA: 3.71x

## Key update

- ✓ Facilities commissioned during 4QFY14 –
  - Vijayanagar – CGL in CRM 2 Complex (0.4 MTPA)
  - Dolvi - Pellet plant (4 MTPA) and Coke ovens (1 MTPA)
  - Kalmeshwar - 6 Hi Cold Rolling Mill (0.15 MTPA)
- ✓ Invested in Tinplate business by acquiring 50% equity in Vallabh Tinplate Private Limited having capacity of 60,000 metric tonnes per annum

Business  
Environment

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Performance

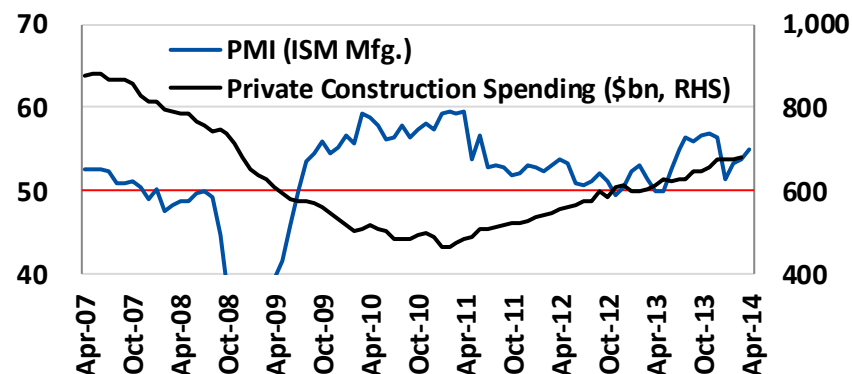
Projects  
Update

Guidance

## USA

- Overall economic activities were weak during 1QCY14 due to adverse weather conditions
- However, manufacturing PMI has picked up again and construction spending continues to improve

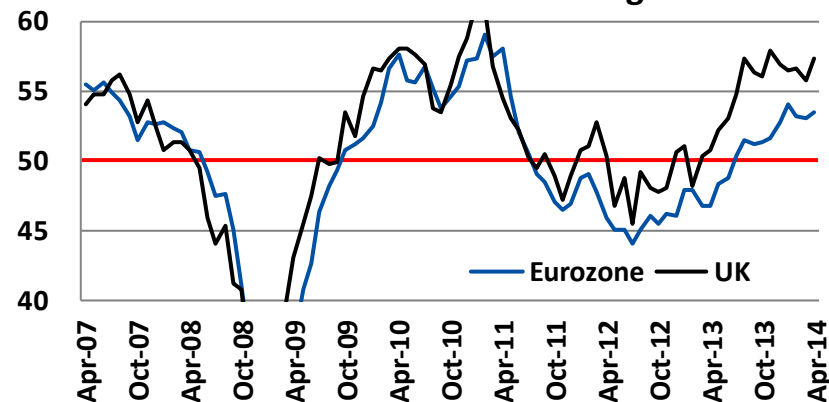
US - manufacturing PMI and construction spending



## Eurozone & UK

- Eurozone economic recovery continues but at a slower pace, manufacturing PMI remains in expansionary zone with a slight rebound in Apr'14
- UK recovery jumped ahead of its peers supported by strong consumer and business confidence

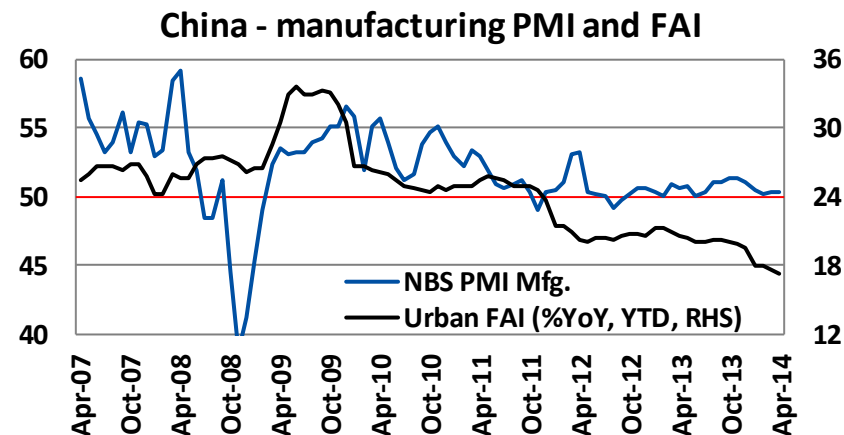
Eurozone & UK - manufacturing PMIs



**Lead indicators point to continued recovery in developed markets**

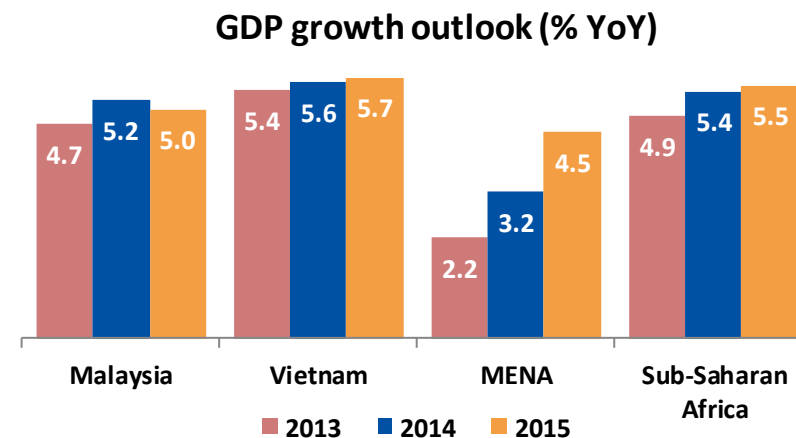
## China

- GDP growth moderates to 7.4%YoY in 1QCY14, fixed assets investment growth also moderates but at a higher base
- Manufacturing PMI declines; still in an expansionary phase



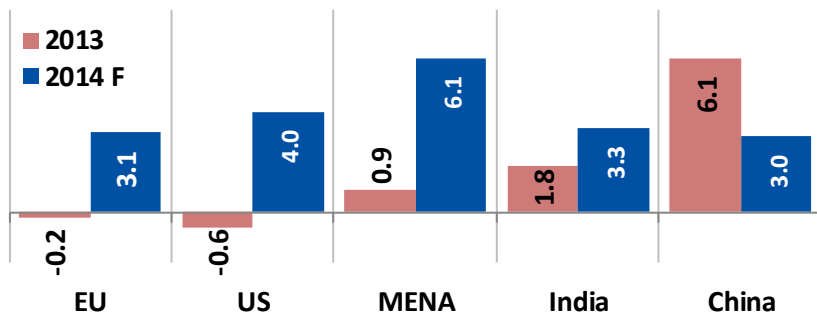
## ASEAN, MENA and Sub-Saharan Africa

- Economic growth in Malaysia and Vietnam expected to remain robust
- MENA growth will strengthen as export growth improves in line with trading partners' recoveries
- Sub-Saharan Africa growth remains robust and is expected to accelerate in 2014



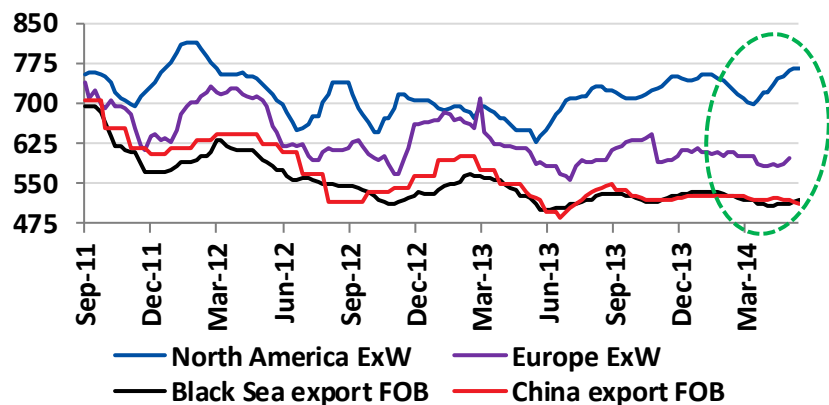
**Chinese growth moderates, meanwhile ASEAN, MENA and Sub-Saharan Africa growth accelerates**

### Steel demand growth outlook (%YoY)

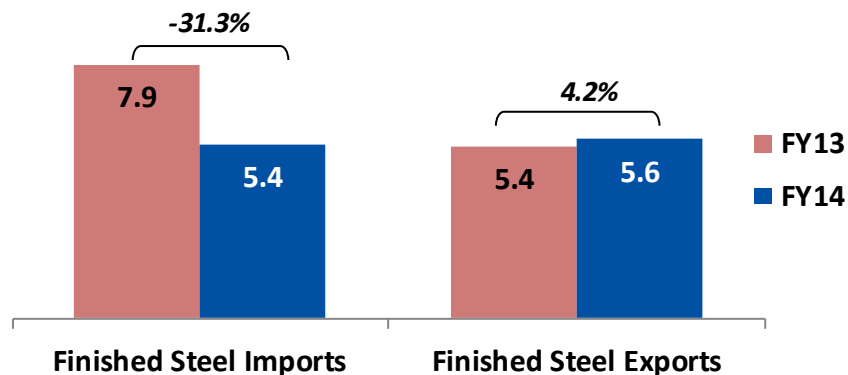
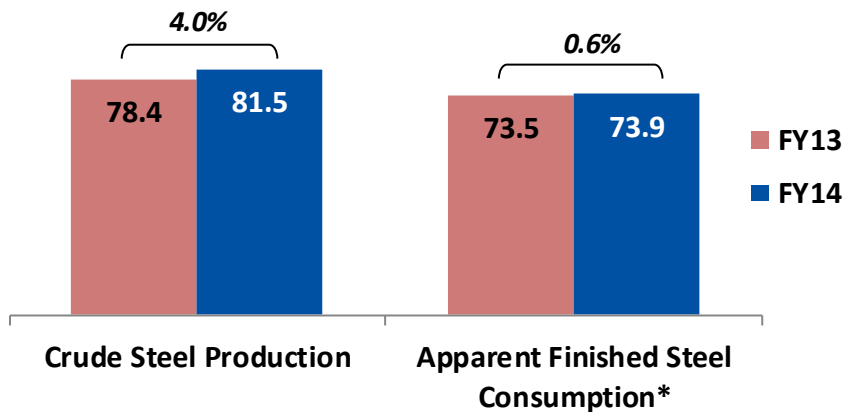


- Steel demand growth outlook improves in the developed markets, uptick in inventory levels also reflect demand recovery
- Chinese steel demand growth moderates; inventory levels have come down in Apr'14
- HRC prices remain range bound, except in US where prices rose with supply disruptions
- However, increase in Chinese steel exports is a source of concern

### HRC prices (\$/tonne)



**Global steel demand to grow >3%, demand growth to be broad based**



- FY14 Crude Steel production increased by 4%YoY
- FY14 Steel demand was marred by tight financial conditions and weak economic activities
- Imports declined with flattish demand and exports went up on the back of recovery in developed markets and INR depreciation
- Domestic market conditions to improve in 2HFY15 as the revival of investment sentiment by new government will drive infrastructure and manufacturing growth

**Expected infrastructure and manufacturing growth augurs well for steel demand**

Source: Central Statistical Organisation, Bloomberg, MOSPI, JPC, JSW Steel  
 All figures are in million tonnes, \* Net of double counting effect



Business  
Environment

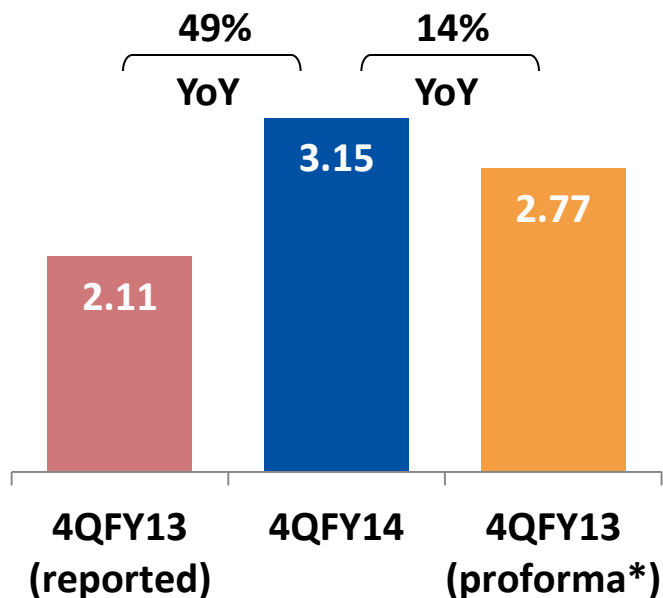
**Operational  
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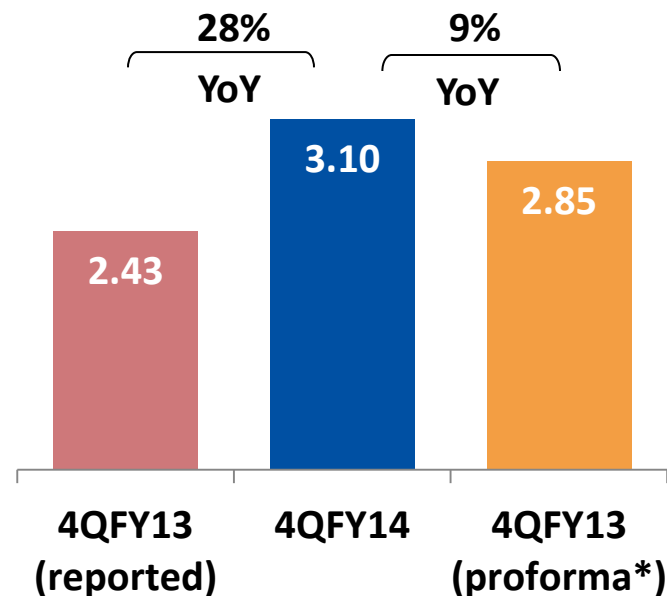
Guidance

## Crude Steel Production



	4QFY13 (reported)	4QFY14	4QFY13 (Proforma*)
Flat	1.65	2.49	2.29
Long	0.44	0.48	0.44

## Saleable Steel Sales

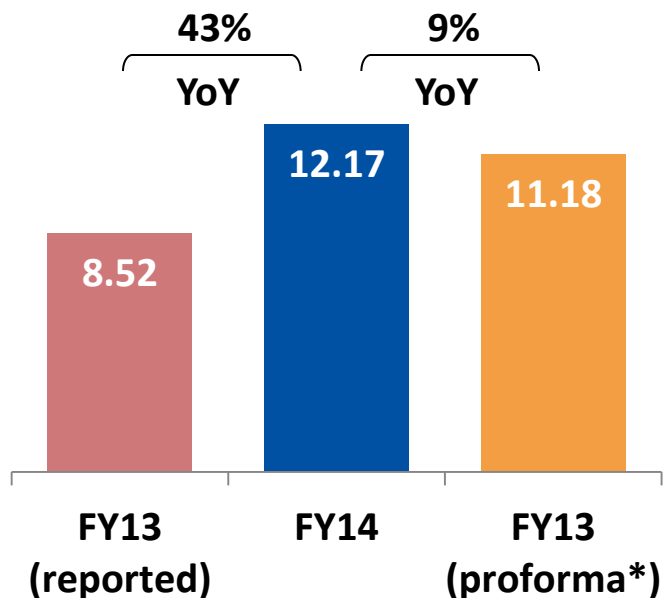


	4QFY13 (reported)	4QFY14	4QFY13 (Proforma*)
Flat	1.91	2.47	2.33
Long	0.49	0.50	0.49
Semis	0.02	0.13	0.02

All figures are in million tonnes

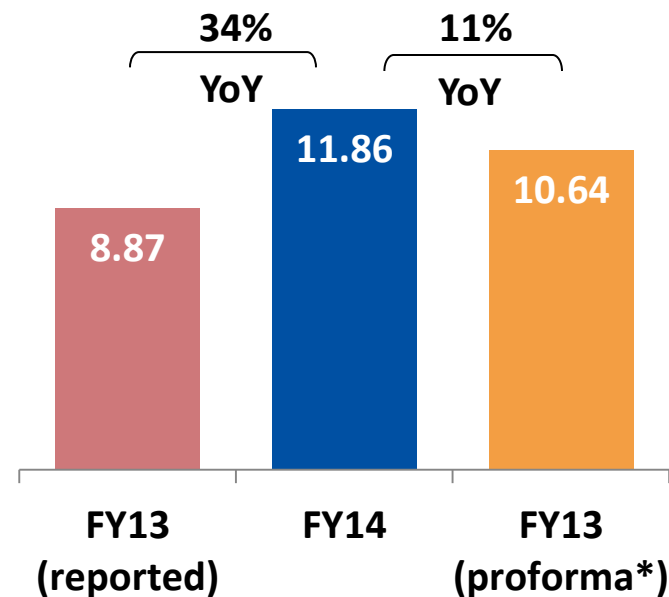
\* Re-classified for the purpose of comparison only

## Crude Steel Production



	FY13 (reported)	FY14	FY13 (proforma*)
Flat	6.28	9.74	8.84
Long	1.80	1.83	1.80

## Saleable Steel Sales

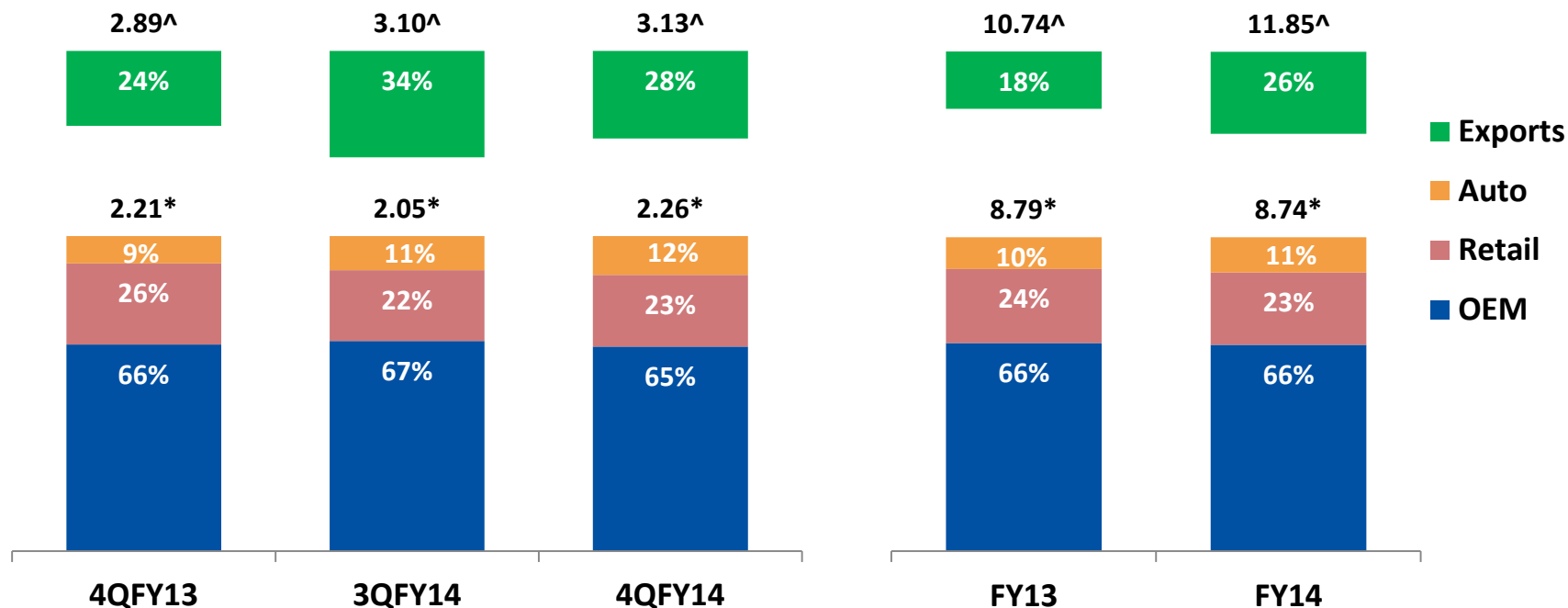


	FY13 (reported)	FY14	FY13 (proforma*)
Flat	6.91	9.71	8.59
Long	1.71	1.81	1.71
Semis	0.26	0.34	0.34

All figures are in million tonnes

\* Re-classified for the purpose of comparison only

# Consolidated sales highlights

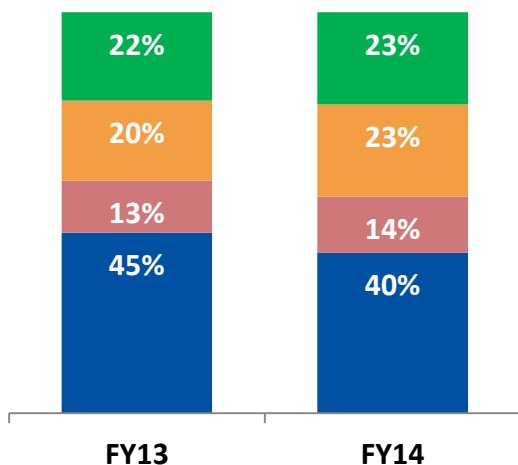
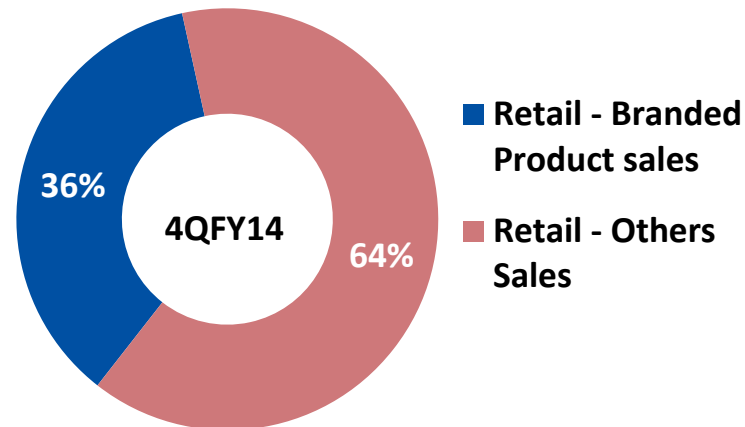
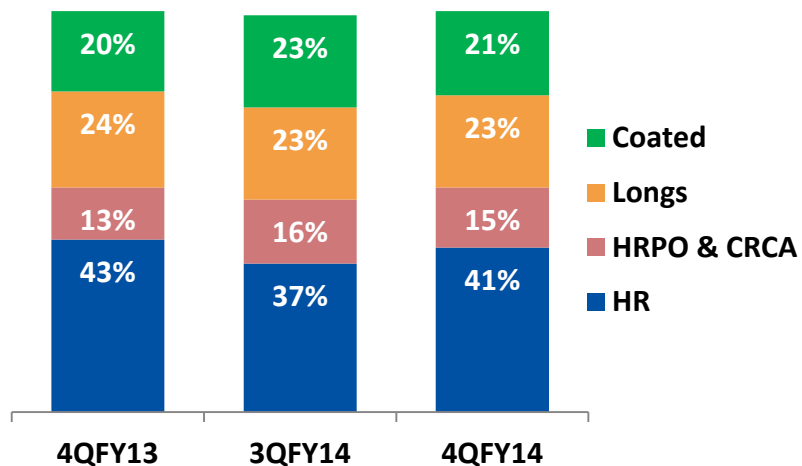


## During FY14:

- ✓ Exports surged by ~60%
- ✓ Auto sales grew by >10%; ‘Yellow goods’ sales rose by >20% in spite of lack-luster demand
- ✓ CR products sales grew by >15%; coated sales also increased by >20%.

\* Domestic sales in million tonnes

<sup>^</sup> Total sales in million tonnes – JSW Steel Standalone + JSW Steel Coated Products (net-off inter-company sales)



- ✓ ~450 distribution channel partners with footprints over 178 districts – providing reach to 396 districts (2,740 talukas)
- ✓ Color products sales grew by >90%YoY with focused sales through Channel Partners and opening of dedicated service center “JSW explore”
- ✓ TMT sales grew by 25%YoY with focused sales through Cluster approach

## Earlier

### JSW Shoppe



## New approach

### Metro/Urban



### 'JSW explore'

- ✓ Multiple product service center for steel solutions
- ✓ Value Added Services

### Urban/ Semi-urban



### 'JSW Shoppe'

- ✓ Steel Distribution
- ✓ Enhanced customer experience

### Semi-urban/ Rural



### 'JSW Shoppe Connect' (concept)

- ✓ Sales to End consumers & MSMEs
- ✓ Focus on talukas/rural areas
- ✓ Linked to JSW explore/Shoppe

Increased customer focus and market penetration

<h2>Recognitions</h2>	<p>Industry Leadership Award</p>	<p>Top exporter - large enterprise award, Western Region</p>	<p>Special Citation of Distinction for Quality &amp; Supply</p>	
<h2>Product Approvals</h2>	<p>Auto outer panels</p> <p><b>HONDA</b></p>	<p>Crank Shaft</p> <p><b>JOHN DEERE</b></p>	<p>Bearings</p>	<p>Coated Steel</p>
<h2>Supplies to some prestigious projects</h2>	<p><b>NPCIL</b></p>	<p><b>All Metro Rail Projects</b></p>	<p><b>Reliance Industries Limited</b></p>	

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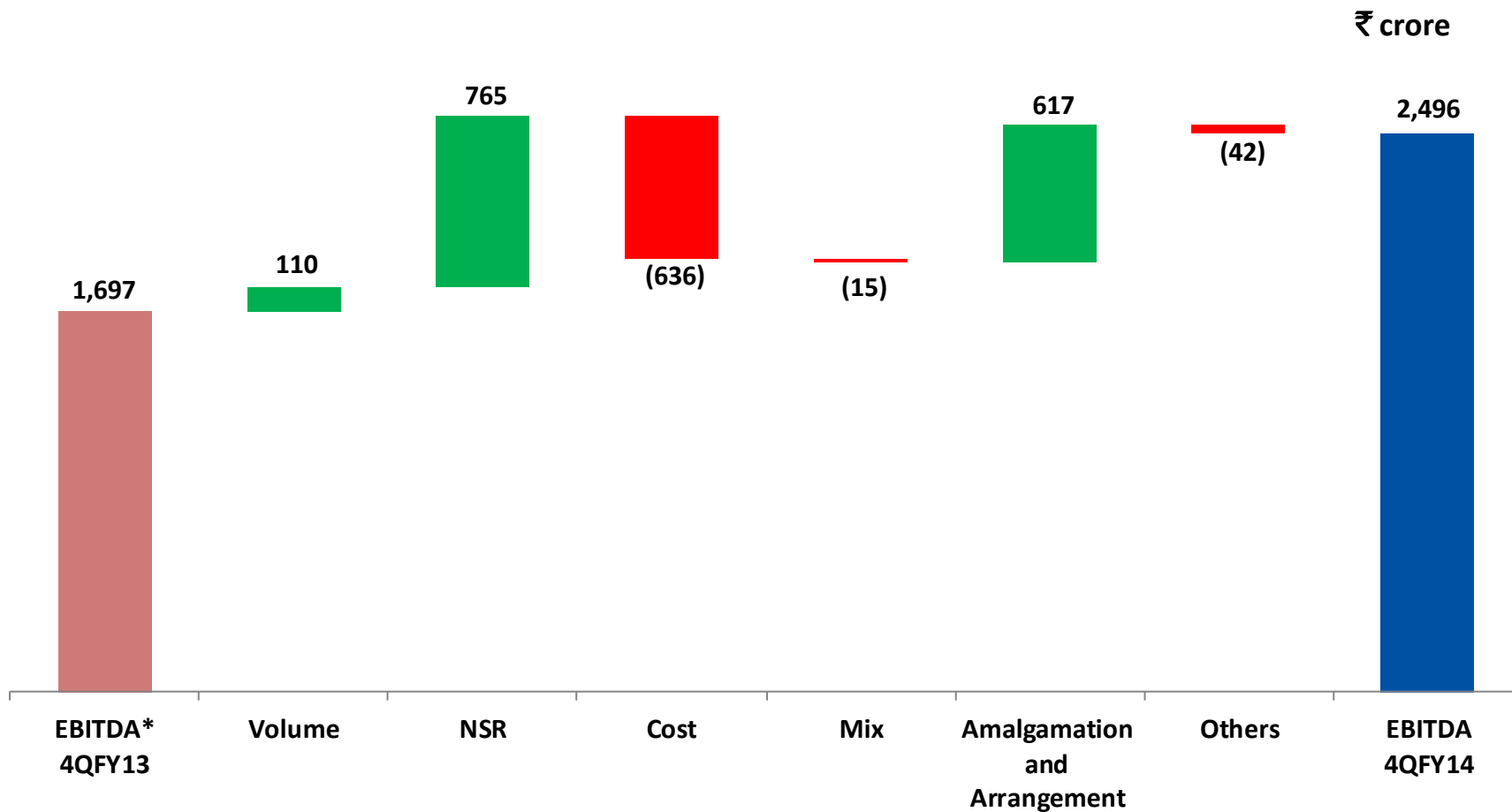
₹ crore

Particulars	4QFY14	4QFY13*	FY14	FY13*
Gross Turnover	13,330	10,076	48,527	38,763
Net Sales	12,255	9,249	44,529	35,388
Operating EBITDA	2,496	1,697	8,783	6,309
Other Income	77	54	331	261
Finance Cost	690	443	2,740	1,724
Depreciation	706	527	2,726	1,974
Exceptional Items	-	130	(1,692)	(367)
Profit Before Tax	1,177	911	1,955	2,504
Tax	375	338	621	703
Profit after Tax	802	573	1,335	1,801
Diluted EPS (₹)	32.84 <sup>^</sup>	25.33 <sup>^</sup>	53.86	79.28

\* As reported

<sup>^</sup> Not Annualized

# Operating EBITDA movement – standalone



•As reported

Million tonnes

Volumes	4QFY14	3QFY14	FY14
Production*	0.43	0.41	1.57
Sales	0.44	0.42	1.58

₹ crore

Key P&L data	4QFY14	3QFY14	FY14
Turnover	2,735	2,445	9,353
Operating EBITDA	94	79	331
Net profit After Tax	35	12	51

Production (net tonnes)	4QFY14	4QFY13	FY14	FY13
Plate Mill	1,10,407	82,177	3,91,281	339,165
Utilization (%)	44%	35%	39%	35%
Pipe Mill	15,782	11,907	44,766	84,874
Utilization (%)	11%	9%	8%	15%

Sales (net tonnes)	4QFY14	4QFY13	FY14	FY13
Plate Mill	94,680	72,994	3,42,335	260,905
Pipe Mill	15,672	11,114	53,141	77,753

USD mn

Particulars	4QFY14	4QFY13	FY14	FY13
Turnover	106.23	76.94	354.50	346.66
EBITDA + Other Income	(4.00)	0.47	(7.18)	8.99
Profit After Tax	(18.69)	(16.43)	(64.53)	(55.42)

USD mn

Particulars	4QFY14	4QFY13	FY14	FY13
Production (Tonnes)	2,36,640	197,389	9,04,658	757,177
Sales (Tonnes)	1,49,443	226,288	7,53,841	938,104
Turnover	16.77	30.99	87.86	114.01
Operating EBITDA	1.32	6.62	12.75	14.21
Profit after Tax	(0.25)	3.84	4.69	5.10

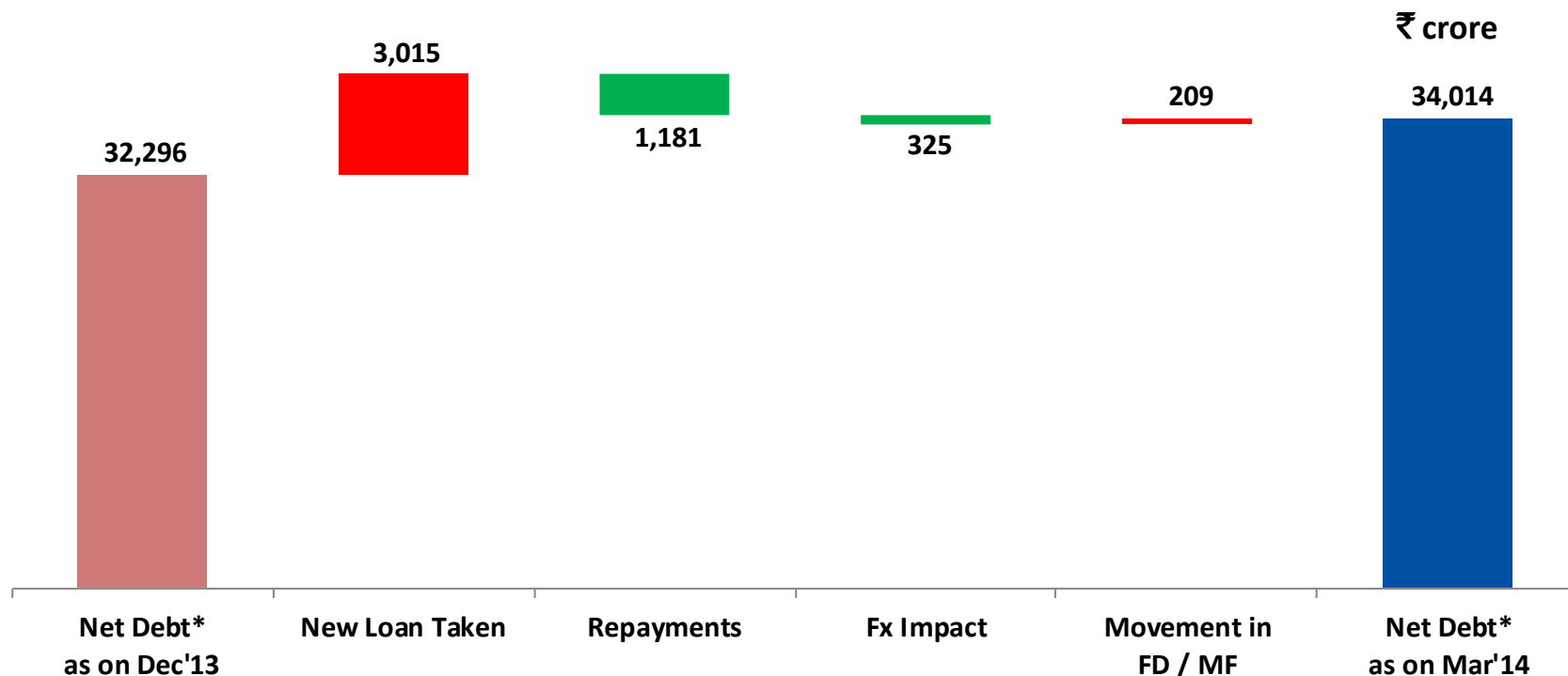
₹ crore

Particulars	4QFY14	4QFY13*	FY14	FY13*
Gross Turnover	15,242	10,675	54,621	41,463
Net Sales	14,088	9,852	50,409	38,095
Operating EBITDA	2,529	1,733	9,165	6,504
Other Income	1	3	86	70
Finance Cost	784	507	3,048	1,967
Depreciation	824	595	3,183	2,237
Exceptional Items	-	70	(1,713)	(369)
Profit Before Tax	922	704	1,308	1,999
Tax	459	376	920	845
Share of Associates and Minority Interest	21	(32)	64	(191)
Profit after Tax	483	296	452	963
Diluted EPS (₹)	19.64 <sup>^</sup>	12.90 <sup>^</sup>	17.35	41.71

\* As reported

<sup>^</sup> Not Annualized

# Net debt movement – consolidated



Particulars	31.03.2014	31.12.2013
Cash & cash equivalent (₹ crore)	748	957
Net Debt/Equity (x)	1.54	1.49
Net Debt/EBITDA (x)	3.71	3.74

\*Net Debt excludes Acceptances

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**Cold Rolling Mill -2 at Vijayanagar: Started Phase I (PLTCM in Oct 2013, CGL in Mar 2014 and CAL-1 in Apr 2014), and Phase II (CAL-2) is expected by end FY15**



4 MTPA Pellet plant at Dolvi: Started in 4QFY14, under ramp-up



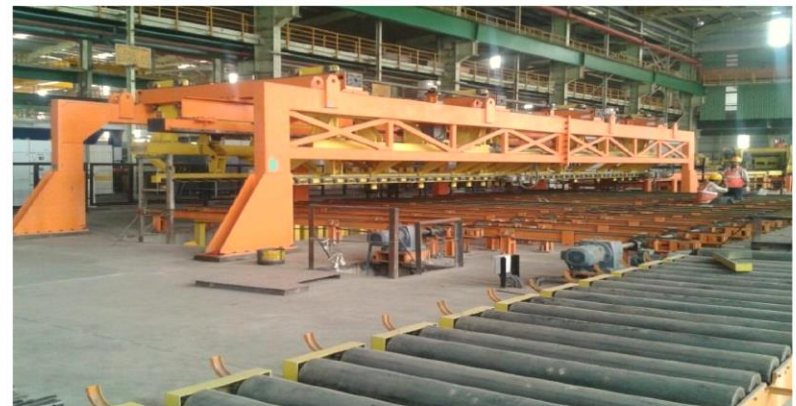
1 MTPA Coke Oven at Dolvi: Started in 4QFY14, under ramp-up



**New 6-Hi Mill (Cold Roll) at Kalmeshwar: Started in 4QFY14, under ramp-up**



**CTL-6 & 7 at Vijayanagar: CTL-7 started in 4QFY14, CTL-6 is expected to be commissioned in 1QFY15**



**Steel Melt Shop -3 (1.5 MTPA) at Vijayanagar: Started in Apr 2014**



**Bar Rod Mill-2 at Vijayanagar: expected to be commissioned in 1HFY15**



### Expansion at Dolvi

- Project details:
  - Total capacity expansion from 3.3 MTPA to 5MTPA
  - Modification of Blast furnace, de-bottlenecking of SMS & HSM to enhance the capacity
  - New sinter plant 2.5 MTPA
  - New Billet Caster of 1.5 MTPA and Bar Mill of 1.4 MTPA
  - Commissioning is expected by Sep 2015
- Financing details:
  - Total project cost – ₹ 3,300 crore
  - Debt to Equity ratio – 2:1

### Blast Furnace–I modification at Vijayanagar

- Modification of Blast Furnace–I to enhance its capacity by 0.9 MTPA to 1.7 MTPA at a cost of ₹ 720 crore – subject to necessary approvals

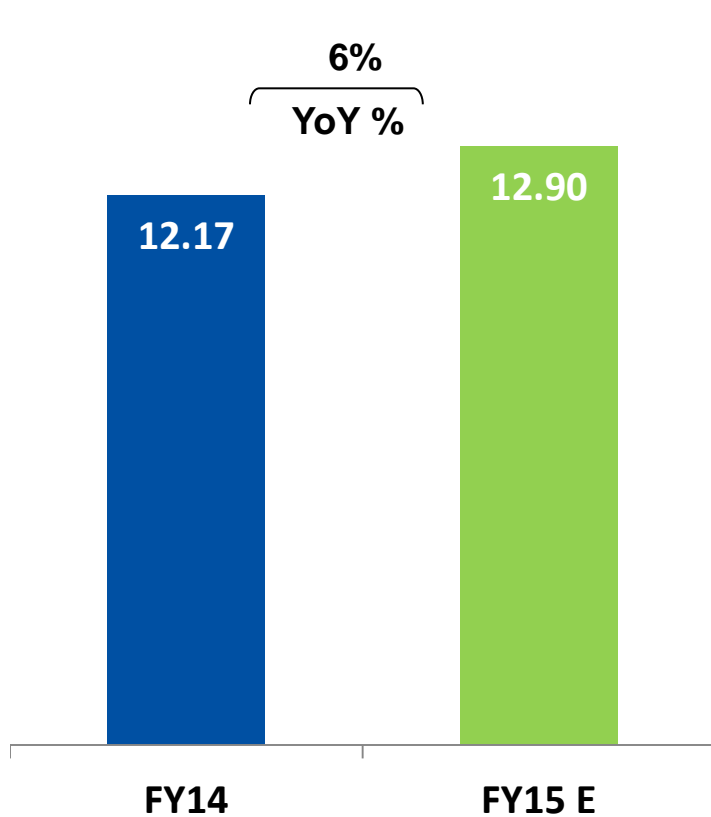
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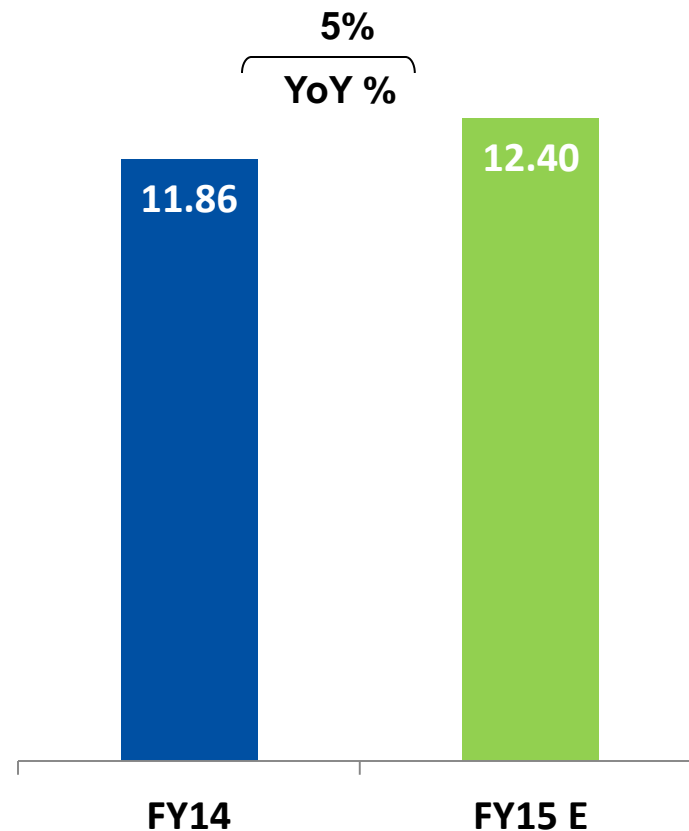
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**Crude Steel Production**



**Saleable Steel Sales**

<b>Volume</b>	<ul style="list-style-type: none"><li>✓ Higher volumes aided by – completion and ramp-up of new SMS and Bar mill at Vijayanagar</li><li>✓ Continued focus on domestic market penetration and footprint expansion</li></ul>
<b>Product Mix</b>	<ul style="list-style-type: none"><li>✓ Ramp-up of downstream facilities:<ul style="list-style-type: none"><li>▪ CRM-2 (phase I) at Vijayanagar</li><li>▪ Colour coating and Galvanising lines at JSW Steel Coated Products</li></ul></li><li>✓ New product approvals from OEMs</li><li>✓ Completion of Electrical Steel Mill and CRM-2 (phase II) at Vijayanagar</li></ul>
<b>Cost optimization</b>	<ul style="list-style-type: none"><li>✓ Ramp-up of Coke Ovens and Pellet Plant to lower operating costs at Dolvi</li></ul>
<b>Preparing for future growth</b>	<ul style="list-style-type: none"><li>✓ Focus on low cost and returns accretive brownfield projects to capitalise on expected demand recovery<ul style="list-style-type: none"><li>▪ Brownfield expansion from 3.3 to 5 MTPA at Dolvi</li><li>▪ BF-1 up-gradation at Vijayanagar</li></ul></li></ul>



*These results are reported after giving effect to the Scheme of Amalgamation and Arrangement (“the Scheme”) between the Company and JSW ISPAT Steel Limited and others, which became effective 1st June, 2013 with appointed date of 1st July, 2012. The figures for the corresponding quarter are not strictly comparable with that of the current quarter as the effect of implementation of the Scheme is included in the current quarter figures*

*Certain statements in this report 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 risk 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, our ability to commission mines within contemplated time and costs, our ability to raise the finance within time and cost 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 the Company has made strategic investments, withdrawal of fiscal/governmental incentives, impact of regulatory measures, 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.*

**Thank you**