

JSW Steel reports Highest Ever Quarterly Consolidated EBITDA

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Second Quarter and Half Year ended 30th September, 2014 ("2Q FY2015" or the "Quarter" & "1H FY2015" or the "Half year").

Key highlights of the quarter:
Standalone Performance:

- Highest ever Crude Steel production: 3.30 million tonnes
- Saleable Steel sales: 3.07 million tones.
- Gross Turnover: ₹12,996 crores
- Operating EBITDA: ₹2,430 crores
- Net debt to Equity: 1.11x
- Net debt to EBIDTA: 2.93x

Consolidated Performance:

- Gross Turnover: ₹14,859 crores
- Highest ever Operating EBITDA: ₹2,791 crores
- Net debt to Equity: 1.56x
- Net debt to EBIDTA: 3.46x

Operational performance:

During the quarter, the Company reported highest ever Crude Steel production of 3.30 million tonnes while Saleable Steel sales volume stood at 3.07 million tonnes. The details of production and sales volumes are as under:

Particulars	(Million tonnes)			
	2Q FY2015	YoY Growth	1H FY2015	YoY Growth
Production: Crude Steel	3.30	11%	6.40	10%
Sales:				
- Rolled: Flat	2.47	-5%	4.79	2%
- Rolled: Long	0.48	5%	0.96	9%
- Semis	0.12	55%	0.20	96%
Total Saleable Steel	3.07	-2%	5.94	5%

Standalone Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales for the quarter of ₹12,996 crores (+5%YoY) and ₹11,886 crores (+5%YoY), respectively. The Company reported an Operating EBITDA of ₹2,430 crores, showing a YoY growth of 9% and EBITDA margin stood at 20.2%. Net profit after Tax was at ₹762 crores for the quarter as against ₹ 101 crores for corresponding quarter in last year. The Company has made a provision of ₹ 168.32 crores during the quarter towards carrying value of its investment in US Plate & Pipe mill and also made provision of Rs. 21.20 crores towards cancellation of the allotment of coal blocks.

Gross Turnover and Net Sales for the half year stood at ₹25,397 crores and ₹23,256 crores, respectively, both showing a growth of 13% on YoY basis. The Operating EBITDA for the half year is ₹4,891 crores, up by 23% on YoY basis. The company posted a Net profit of ₹ 1,563 crores for the half year.

The net gearing as on 30th September 2014 stood at 1.11x (as against 1.15x as on 30th June 2014) and Net debt to EBITDA was at 2.93x (as against 3.02x as on 30th June 2014).

Subsidiaries performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production (Galvanised/Galvalume products) and sales of 0.41 million tonnes. The Gross Turnover and Net Sales for the quarter stood at ₹2,537 crores and ₹2,404 crores, respectively. It recorded an Operating EBITDA of ₹108 crores and a Net Profit after Tax of ₹11 crores for the quarter.

Chile Iron ore Mines:

The Iron ore mines in Chile produced and shipped 0.22 million tonnes of Iron ore concentrate during the quarter. The Company reported an EBITDA loss of \$1.76 million for the quarter due to a drop in Iron ore prices in seaborne markets.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 0.103 million net tonnes of Plates and 0.012 million net tonnes of Pipes, reporting a capacity utilization of 40% and 9%, respectively, during 2Q FY2015. Sales volumes for the quarter stood at 0.086 million net tonnes of Plates and 0.017 million net tonnes of Pipes. The Company generated an EBITDA of \$2.54 million for the quarter.

Consolidated Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales of ₹14,859 crores and ₹13,692 crores respectively for the quarter, showing a growth of 7% on YoY basis. The Company reported its highest ever Operating EBITDA of ₹2,791 crores and a Net Profit after Tax of ₹749 crores, respectively, after incorporating the financials of subsidiaries, joint ventures and associates.

The net gearing at consolidated level was 1.56x at the end of the quarter (as against 1.59x as on 30th June 2014), Net debt to EBITDA at consolidated level is 3.46x (as against 3.62x as on 30th June 2014) and the weighted average interest cost of debt was at 8.10% (vis-à-vis 8.34% as on 30th June 2014).

Projects Update:

The Company has started its 2nd Bar Mill of 1.2 mtpa capacity at Vijayanagar works on 2nd October 2014 which is under trial run.

The implementation of other ongoing projects like CAL-2, Modernisation of BF-1 and Electrical steel complex at Vijayanagar and Capacity Expansion project from 3.3 MTPA to 5 MTPA at Dolvi are progressing satisfactorily, and is likely to complete as per schedule.

Outlook:

The International Monetary Fund (IMF) has revised its global economic growth estimates for CY14 downward to 3.3% amidst fresh signs of weakness in Euro Area and moderation in Japanese and Chinese growth expectations. The global economic recovery has weakened and is now hinged upon US consumption, policy support in Europe and China. Global economic moderation has affected the demand prospects for most of the commodities including metals.

Property slump and moderating industrial production in China has adversely influenced the Chinese steel demand. World Steel Association has cut CY14 Chinese steel demand growth forecast from 3% (in Apr'14) to 1% and consequently has revised global steel demand growth forecast for CY14 from 3.1% to 2%. The regional steel prices have softened mirroring continued softness in raw material prices, low demand and surging exports from China.

The Indian economy posted a moderate recovery in 1QFY15; however, improvement in overall activity levels seem to be getting right-shifted with weaker monsoon, subdued industrial growth in 2QFY15, and elevated interest rates. While medium term business sentiment remains strong, expected revival of the investment cycle now appears likely in FY16.

The Indian iron ore market has remained divergent to global trends. In contrast to declining prices in international markets, domestic iron ore prices remain sticky and elevated with constrained supply. The Indian steel industry has to consequently resort to imports as an alternate source.

Indian crude steel production increased by 2.6%QoQ during the quarter. The domestic steel industry has battled against a surge in imports, especially from China and Korea. This, coupled with a seasonal weakness and subdued economic activities resulted in country's steel consumption remain flattish, growing by 0.9% QoQ during the quarter.

Constraint of domestic iron ore availability, consistently large imports at concessional duty from Japan and Korea under CEPA-FTA, as well as rising imports of boron-added steel from China, and growing imbalance of global steel supply and demand remain major challenges for the Indian steel industry.

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 interest in mining, carbon steel, power, industrial gases, ports and cement. JSW Steel Limited is engaged in manufacture of flat and long products viz. H R Coils, CRCoils, Galvanised products, Galvalume products, Colour coated products, auto grade / white goods grade CRCA Steel, Bars and Rods. Incorporated in 1994, it has grown to about US \$11 billion. 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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