

JSW Steel reports 6% growth in Crude Steel Production for 9M FY2015

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its results for the Third Quarter (“3Q FY2015” or the “Quarter”) and the Nine month ended 31st December, 2014 (“9M FY2015” or the “9 Month”).

Key highlights of the quarter:

Standalone Performance:

- Crude Steel production: 3.17 million tonnes
- Saleable Steel sales: 3.03 million tones.
- Gross Turnover: ₹12,368 crores
- Operating EBITDA: ₹2,117 crores
- Net debt to Equity: 1.21x
- Net debt to EBIDTA: 3.22x

Consolidated Performance:

- Gross Turnover: ₹14,026 crores
- Operating EBITDA: ₹2,296 crores
- Net debt to Equity: 1.70x
- Net debt to EBIDTA: 3.86x

Operational performance:

During the quarter, the Company reported Crude Steel production of 3.17 million tonnes while Saleable Steel sales volume stood at 3.03 million tonnes. The details of production and sales volumes are as under:

Particulars	(Million tonnes)			
	3Q FY2015	YoY Growth	9M FY2015	YoY Growth
Production: Crude Steel	3.17	-	9.57	6%
Sales:				
- Rolled: Flat	2.44	-4%	7.22	-
- Rolled: Long	0.47	10%	1.43	9%
- Semis	0.12	13%	0.32	54%
Total Saleable Steel	3.03	-2%	8.97	2%

Standalone Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales for the quarter of ₹12,368 crores and ₹11,310 crores, respectively. The Company reported an Operating EBITDA of ₹2,117 crores and EBITDA margin stood at 18.4%. Net profit after Tax stood at ₹415 crores for the quarter. The Company has made a provision of ₹ 101.61 crores during the quarter towards carrying value of its investment in US Plate & Pipe mill, which is considered as exceptional in nature.

Gross Turnover and Net Sales for the nine month stood at ₹37,765 crores and ₹34,566 crores, respectively, both showing a growth of 7% on YoY basis. The Operating EBITDA for the nine month was ₹7,198 crores, up by 15% on YoY basis. The company posted a Net profit of ₹ 1,978 crores for the nine month.

The net gearing as on 31st December 2014 stood at 1.21x (as against 1.11x as on 30th September 2014) and Net debt to EBITDA was at 3.22x (as against 2.87x as on 30th September 2014).

Subsidiaries performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production (Galvanised/Galvalume products) and sales of 0.36 and 0.37 million tonnes respectively. The Gross Turnover and Net Sales for the quarter stood at ₹2,270 crores and ₹2,152 crores, respectively. It recorded an Operating EBITDA of ₹65 crores and a Net Loss after Tax of ₹18 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 \$6.45 million for the quarter due to significant drop in Iron ore prices in seaborne markets.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 0.084 million net tonnes of Plates and 0.019 million net tonnes of Pipes, reporting a capacity utilization of 34% and 14%, respectively, during 3Q FY2015. Sales volumes for the quarter stood at 0.064 million net tonnes of Plates and 0.018 million net tonnes of Pipes. The Company has reported an EBITDA Loss of \$0.46 million for the quarter.

JSW Steel (Salav):

JSW Steel Limited has acquired 99.85 % of equity stake in Welspun Maxsteel Limited (WMSL) on 31st October 2014, and the name changed to JSW Steel (Salav) Limited. The company has sold 0.07 MnT of DRI during the quarter and reported an EBITDA of ₹15 Crores and Net Loss of ₹20 Crores for this period. However due to constraint on availability of APM gas, the company has taken shutdown of the plant and used the opportunity for maintenance and realignment jobs for future production.

Consolidated Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales of ₹14,026 crores and ₹12,927 crores respectively for the quarter. The Company reported an EBITDA of ₹2,296 crores and a Net Profit after Tax of ₹329 crores, respectively, after incorporating the financials of subsidiaries, joint ventures and associates.

Gross Turnover and Net Sales for the nine month stood at ₹43,038 crores and ₹39,686 crores, respectively, both showing a growth of 9% on YoY basis. The Operating EBITDA for the nine month was ₹7,720 crores, up by 16% on YoY basis. The company posted a Net profit of ₹ 1,734 crores for the nine month.

The net gearing at consolidated level was 1.70x at the end of the quarter (as against 1.56x as on 30th September 2014), Net debt to EBITDA at consolidated level is 3.86x (as against 3.45x as on 30th September 2014) and the weighted average interest cost of debt was at 7.62% (vis-à-vis 8.10% as on 30th September 2014).

Projects Update:

The implementation of ongoing projects like CAL-2 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 has revised down its forecast for World economic growth for CY15 to 3.5%, which is still better than estimated growth of 3.3% in 2014. While the US economy continues to improve (recent data prints on labour markets, consumer sentiment and housing market data remain encouraging), Europe is likely to benefit from the recent stimulus measures and lower energy prices. However, Chinese economic growth continues to slow down –adjusting to the “new normal”; this is likely to drive commodity price deflation over the medium term. Japanese recovery would be hinged upon lower commodity prices and favourable currency movements. Lower oil prices may help global growth to be better than forecast, however, potential slowdown in global investment cycle, market volatility and high risk spreads in emerging markets pose downside risks.

World Crude Steel production in 2014 grew 1.1% versus the World Steel Association’s steel demand forecast of 2%. The global steel industry continues to face problems of large surplus capacity and elevated levels of production. Surging exports from countries like China, Korea and CIS is creating supply glut and Chinese steel exports have risen to ~120 MTPA on annualized basis in Dec’14. Regional HRC prices remain under pressure driven by low demand, sharp correction in iron ore prices and currency fluctuation.

Indian crude steel production increased by 3.9%YoY during the quarter. The apparent steel consumption rose by 3.7%YoY during the quarter amidst the subdued economic activities - however, consumption of domestically produced steel fell by 6.6%YoY as imports increased by 142.3%YoY. India steel industry continues to suffer from surge in imports especially from China, Korea, Japan and CIS. At the same time, the industry continues to grapple with constrained iron ore availability and domestic iron ore prices remains sticky and elevated in contrast to a sharp correction in iron ore prices in seaborne markets.

In India, overall activity levels have remained subdued, though the new government has shown good intent and is working on various measures to kick-start the economic recovery – much is now hinged upon actual uptick. Benign inflation, lower commodity price outlook, and a reversal of monetary tightening cycle should bode well for FY16 economic outlook.

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.

Media Contacts:

Prakash Mirpuri Vice President-Corporate Communications, JSW Group, Mumbai Mobile:+91 9821091715 prakash.mirpuri@jsw.in	Mithun Roy Corporate Communications, JSW Group, Mumbai Mobile:+91 9819000967 mithun.roy@jsw.in
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