JSW Steel Limited

Press Release July 29, 2015

JSW Steel reports highest ever quarterly crude steel production and highest ever quarterly domestic sales

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the First Quarter ended 30th June, 2015 ("1Q FY2016" or the "Quarter").

Key highlights of the quarter:

Standalone Performance:

- Crude Steel production: 3.40 million tonnes, up by 10% YoY
- Saleable Steel sales: 3.11 million tonnes, up by 8% YoY
- Gross Turnover: ₹11,067 crores
- Operating EBITDA: ₹1,505 crores

Consolidated Performance:

- Gross Turnover: ₹12,556 crores
- Operating EBITDA: ₹1,627 crores

Operational Performance:

During the quarter, the Company reported Crude Steel production volume of 3.40 million tonnes while Saleable Steel sales volume stood at 3.11 million tonnes. The details of production and sales volumes are as under:

Particulars	(Million tonnes)		% YoY Growth
	1Q FY2016	1Q FY2015	
Production: Crude Steel	**3.40**	**3.10**	**10%**
Sales:			
- Rolled: Flat	2.40	2.32	4%
- Rolled: Long	0.62	0.47	32%
- Semis	0.08	0.08	-7%
Total Saleable Steel	**3.11**	**2.88**	**8%**

The company strategically reduced share of exports to 14% of total sales during the quarter, and despite intensifying competitive intensity due to influx of imports, domestic sales volume grew a robust 27% YoY to 2.66 million tonnes. More importantly, with ramp up of downstream facilities, the share of value added and special steel products improved to 35% of total sales, during the quarter.

Standalone Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales for the quarter of ₹11,067 crores and ₹9,982 crores respectively. The Company reported an Operating EBITDA of ₹1,505 crores with EBITDA margin of 14.9%. The net profit after tax stood at ₹31 crores for the quarter.

The net gearing stood at 1.13x at the end of the quarter (as against 1.02x at the end of FY2015) and the Net debt to EBITDA stood at 3.66x (as against 2.97x at the end of FY2015).

Subsidiaries Performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production (Galvanised/Galvalume products) volume of 0.39 Million Tons and sales volume of 0.40 million tonnes. The Gross Turnover and Net Sales for the quarter stood at ₹2,132 crores and ₹1,977 crores, respectively. It recorded an Operating EBITDA of ₹111 crores and a Net Profit after Tax of ₹26 crores for the quarter.

Chile Iron ore Mines:

The Iron ore mines in Chile produced 0.08 million tonnes and shipped 0.16 million tonnes of Iron ore concentrate during the quarter. The Company reported an EBITDA of $0.68 million for the quarter due to reduction in Iron ore prices in international market. The Chile operations remain under care and maintenance from end April 2015.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 0.058 million net tonnes of Plates and 0.014 million net tonnes of Pipes, reporting a capacity utilization of 23% and 10%, respectively, during the quarter. Sales volumes for the quarter stood at 0.048 million net tonnes of Plates and 0.017 million net tonnes of Pipes. It reported an EBITDA Loss of $9.40 million for the quarter.

Consolidated Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales of ₹12,556 crores and ₹11,382 crores respectively for the quarter. The Company reported an Operating EBITDA of ₹1,627 crores and a Net Loss after Tax of ₹107 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The net gearing at consolidated level was 1.66x at the end of the quarter (as against 1.55x at the end of FY2015), Net debt to EBITDA at consolidated level is 4.51x (as against 3.81x at the end of FY2015) and the weighted average interest cost of debt was at 7.19% (vis-à-vis 7.32% as on March 31, 2015).

Projects Update:

During the quarter, the Company has commenced commercial production from 2nd Continuous Annealing line (CAL -2) – a part of the new 2.3 MTPA CRM complex at Vijayanagar.

The implementation of the capacity expansion project (from 3.3 MTPA to 5 MTPA) at Dolvi and other ongoing projects are progressing satisfactorily, and are likely to complete as per schedule.

Outlook:

The International Monetary Fund has revised down its forecast for World economic growth for CY2015 from 3.5% to 3.3%. The global economic outlook has moderated with slower growth in 'advanced economies' in 1HCY15 and continued slowdown in 'emerging market and developing economies'.

The world crude steel production in 1HCY15 was lower by 2%YoY – almost all the regions witnessed a decline. Steel production in China remains at elevated level, weaker domestic demand amidst continued contraction in its FAI and real estate market and resultant jump in steel exports is driving a global supply glut. The regional HRC prices remain under pressure as the global steel industry continues to face problems of surging exports from steel-surplus countries, moderating demand, lower iron ore and coal prices, and currency volatility.

Indian steel industry continues to suffer from a surge in imports at a prices significantly lower than domestic prices in exporting countries – especially from China, Korea, and Japan; consumption of domestically produced steel was down by 0.4%YoY in 1QFY16 as total steel imports were up by 57%YoY. The finished steel exports also decreased by 32%YoY in 1QFY16. The elevated level of steel imports has resulted in excess availability of steel and has resulted in an inventory build-up across the system causing injury to domestic steel industry.

Several countries have initiated tariff / non-tariff barriers to arrest dumping of steel in their markets. It is expected that the Government of India shall act expeditiously to stop further damage from dumping to the domestic industry.

Improving supply of iron ore in domestic market with approval of new mining capacities should further bring down domestic iron ore prices going forward.

In India, overall activity levels show a modest pick-up. Industrial production growth continues, albeit at a slow pace. Public spending on a few infrastructure segments seems to be picking up; however, the momentum needs to be sustained in coming quarters for an actual uptick in investment cycle. Tighter liquidity conditions, leveraged corporate balance sheets and progress of monsoon are key risks.

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 interests in mining, carbon steel, power, industrial gases, ports and cement. JSW Steel Limited is engaged in manufacture of flat and long products viz. hot rolled coils, cold rolled coils, galvanised products, galvalume products, colour coated products, auto grade / white goods grade flat products, 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:

Mithun Roy
Senior Manager (Media)
Corporate Communications,
JSW Group, Mumbai (India).
Mobile:+91 9819000967
mithun.roy@jsw.in