

T H E W I L L

T O W I N



**JSW Steel Limited**

**Q3 FY 2017-18 Results Presentation**

January 31, 2018

## Key highlights – Q3 FY18

### Standalone performance

- ✓ Highest ever Crude Steel production: 4.11 million tonnes, up by 7% YoY
- ✓ Highest ever Saleable Steel sales: 3.97 million tonnes, up by 9% YOY
- ✓ Highest ever Operating EBITDA : ₹3,573 crores, up by 29% YoY
- ✓ Highest ever PAT : ₹1,126 crores
- ✓ Net Debt to Equity: 1.53x and Net Debt to EBITDA: 3.40x

### Consolidated performance

- ✓ Highest ever Saleable Steel sales: 4.03 million tonnes, up 12% YoY
- ✓ Highest ever Operating EBITDA ₹3,851 crore and PAT ₹1,774 crores
- ✓ Net Debt to Equity: 1.68x and Net Debt to EBITDA: 3.32x

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# Agenda

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Business  
Environment

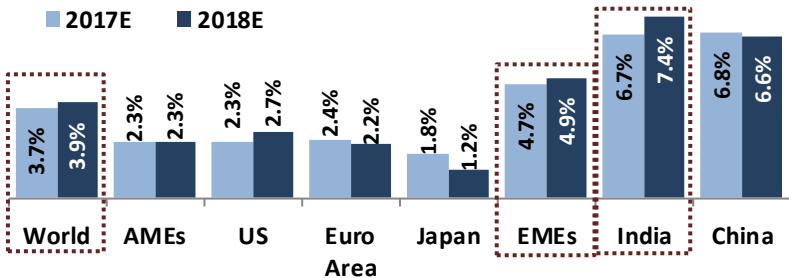
Operational  
Performance

Financial  
Performance

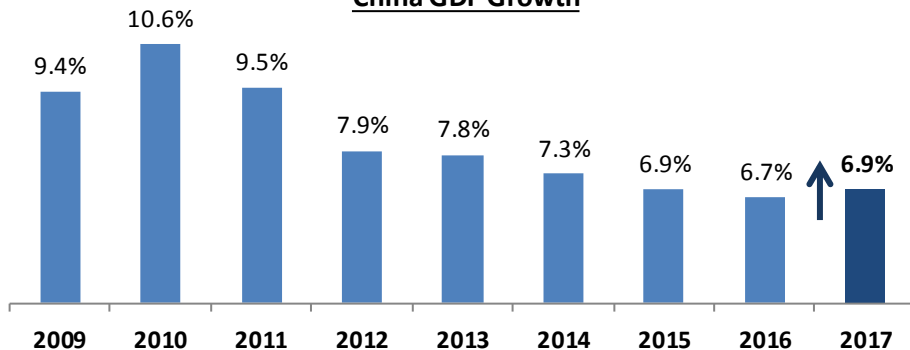
Appendix

# Global economy

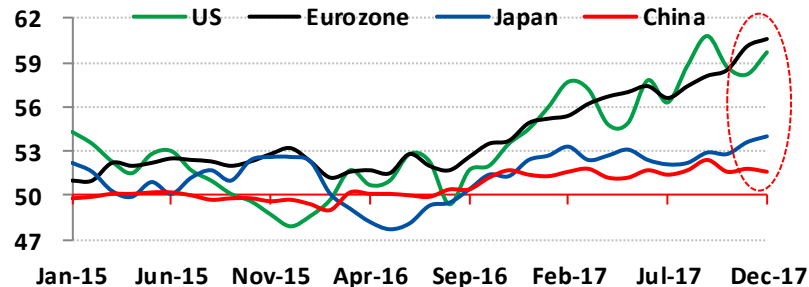
**GDP growth - IMF projections for 2017 and 2018 (%YoY)**



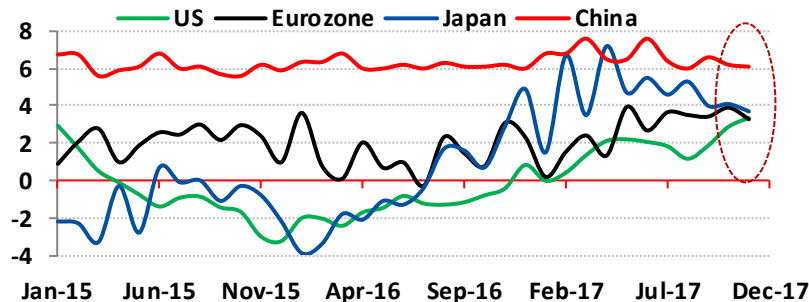
**China GDP Growth**



**Manufacturing PMI**



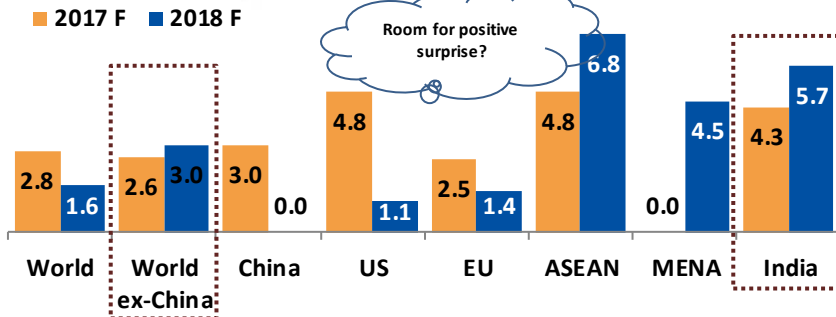
**Index of Industrial Production (% YoY)**



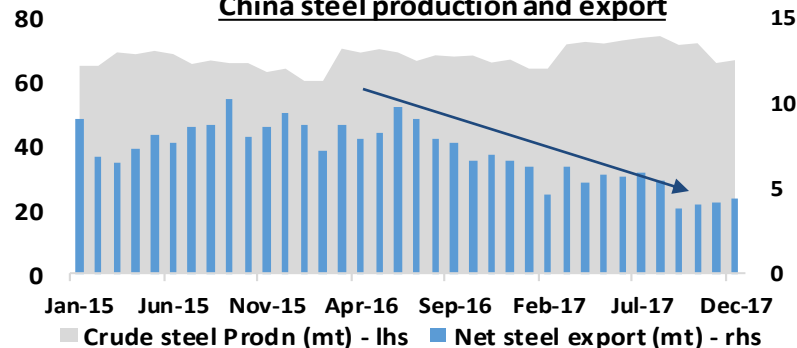
**Global growth is firming up with broad based recovery across emerging and developed markets**

# Global steel scenario

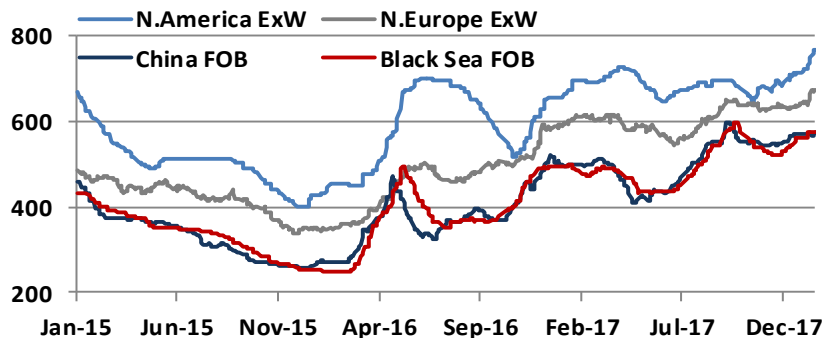
Global finished steel demand growth estimates (%YoY)



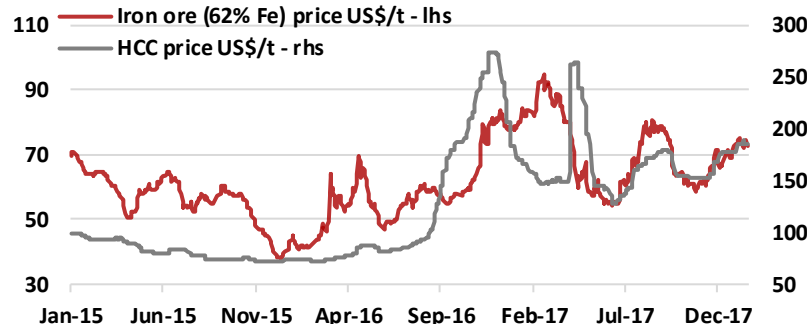
China steel production and export



HRC prices US\$/t



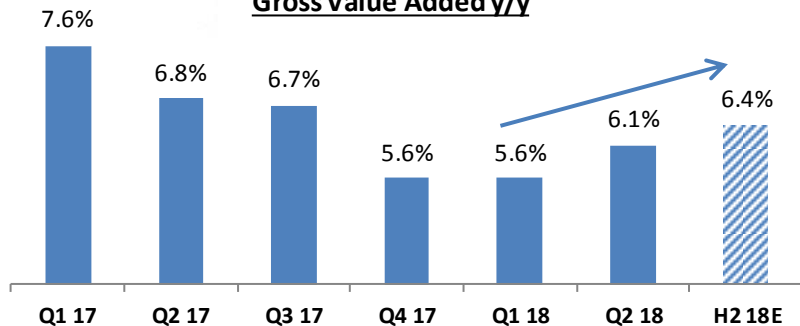
Raw material price trend



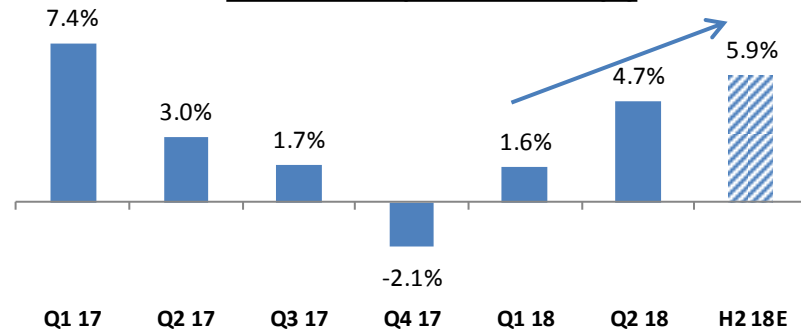
Global steel prices are buoyant with declining exports from China and firm raw material prices

# Indian economy

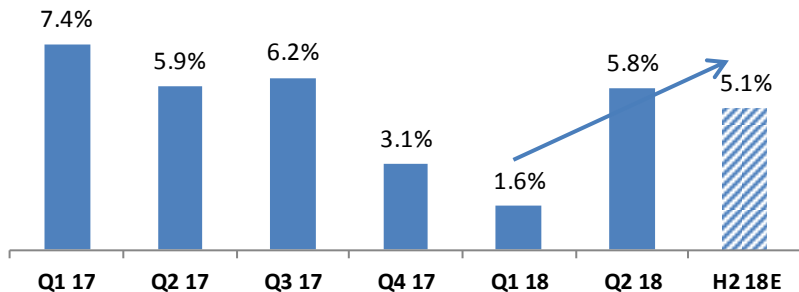
**Gross Value Added y/y**



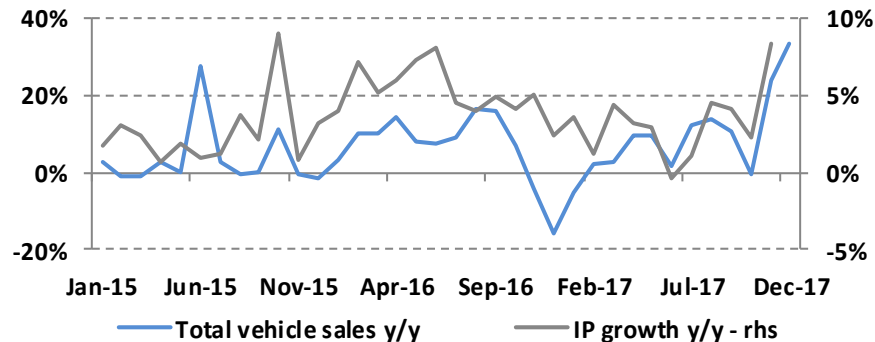
**Gross Fixed Capital Formation y/y**



**Industry (GVA) Growth y/y**

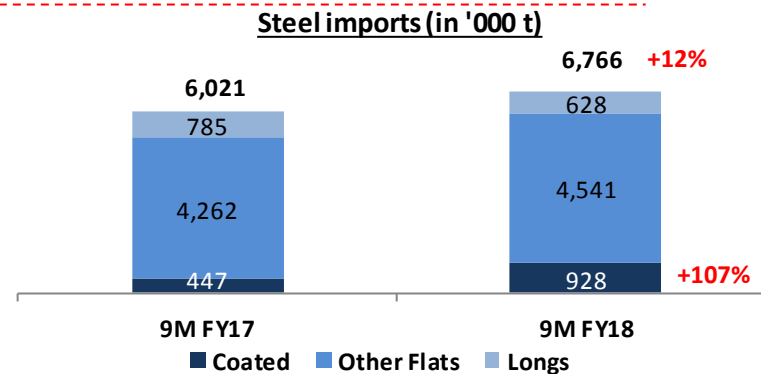
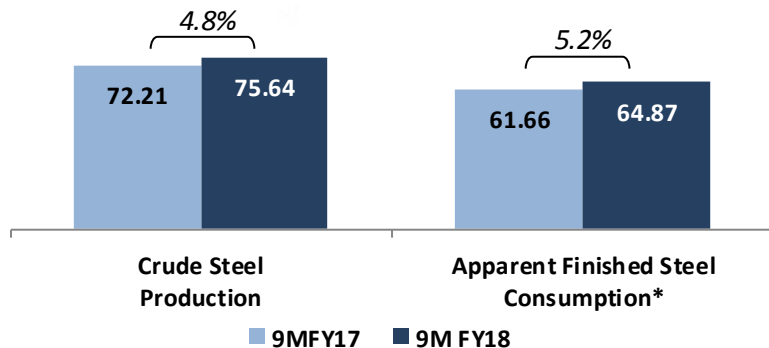


**Vehicle sales and Industrial production picking up**



**Economic activity momentum picking up post structural reforms**

# Indian steel industry



- Domestic steel prices are still lagging international prices
- Imports from Korea, China and Japan constituted ~70% of total imports
- Imports of flat products increased by 16% YoY. Coated products imports surged 107% YoY pressurising domestic manufacturers. Imports of colour coated products increased by a staggering 250% YoY.
- Steel demand growth improved, largely due to the base effect. However, steel consumption is expected to grow strong on the back of government push for infrastructure projects and strengthening consumer demand.

**Domestic demand outlook is strengthening**

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Business  
Environment

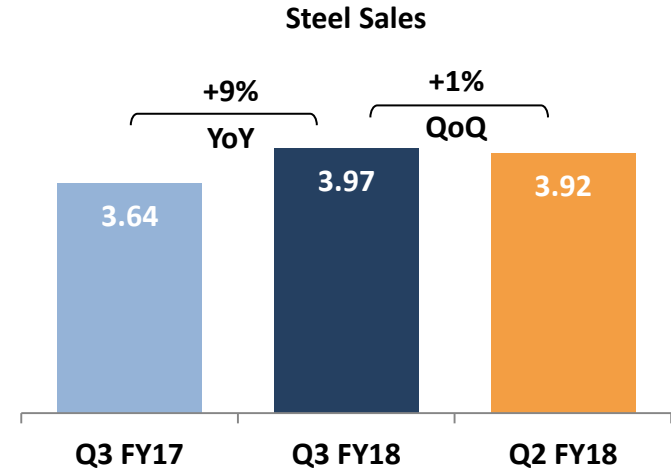
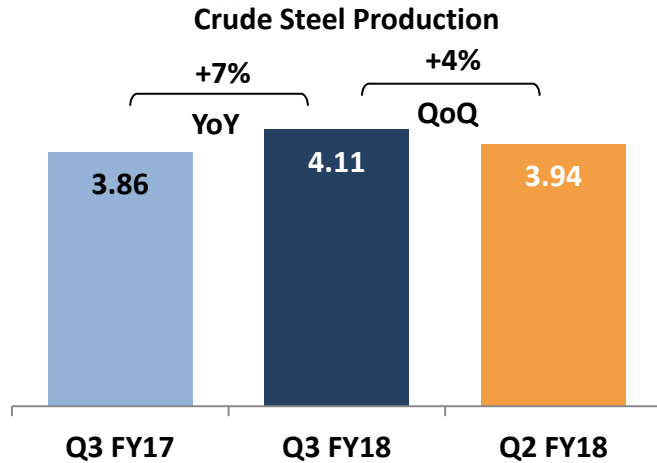
Operational  
Performance

Financial  
Performance

Appendix



## Quarterly volumes – standalone

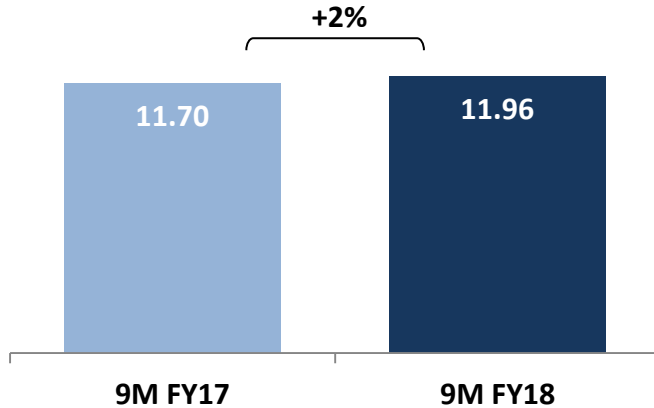


	Q3 FY17	Q3 FY18	Q2 FY18
Flat	2.83	2.81	2.89
Long	0.74	0.88	0.77

	Q3 FY17	Q3 FY18	Q2 FY18
Flat	2.79	2.80	2.83
Long	0.73	0.90	0.86
Semis	0.12	0.27	0.24

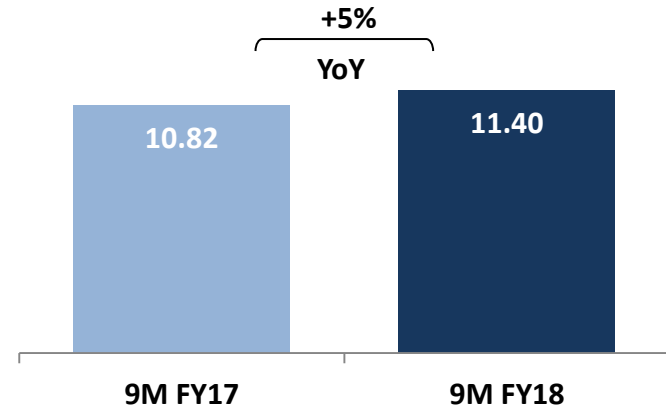
# 9 months volumes – standalone

Crude Steel Production



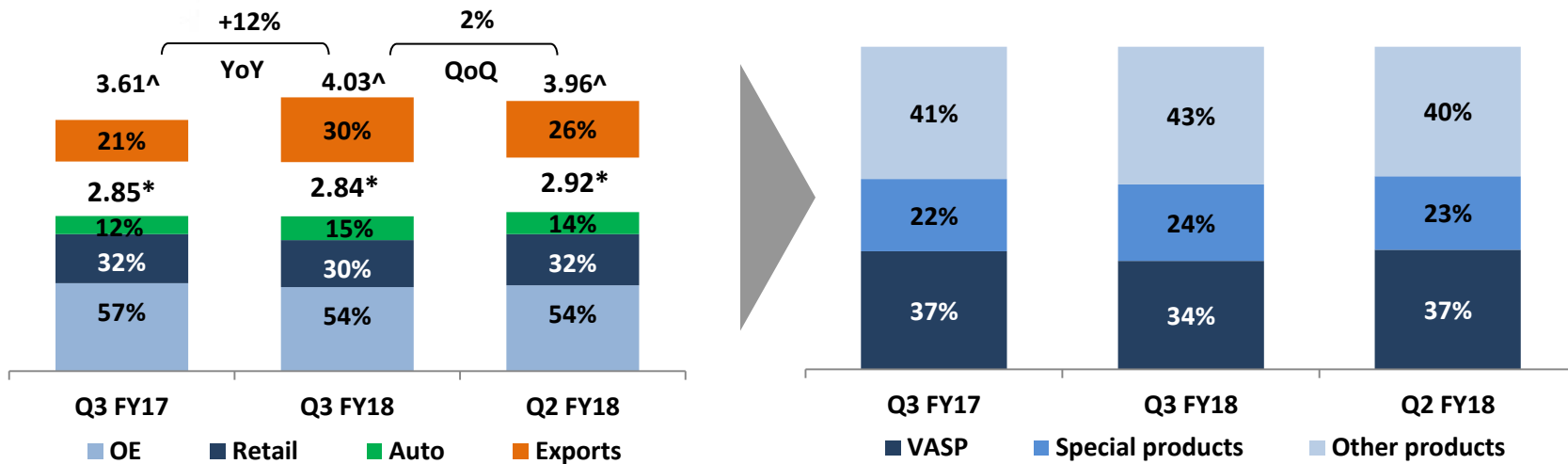
	9M FY17	9M FY18
Flat	8.43	8.46
Long	2.39	2.48

Saleable Steel Sales



	9M FY17	9M FY18
Flat	8.07	8.20
Long	2.28	2.51
Semis	0.47	0.69

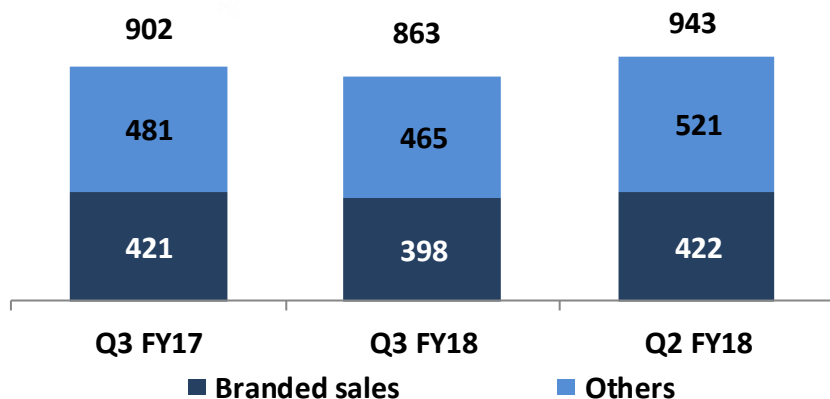
## Quarterly sales highlights – consolidated



- ✓ Overall sales volumes grew 12%YoY
- ✓ Overall Value added & special products (VASP) and Special products sales grew by 8%YoY (57% of overall sales)
- ✓ Sales to Automotive customers grew by 30% YoY while automotive production grew by 16%

**Achieved highest ever sales volume**

## Retail segment highlights for Q3 FY18



- ✓ Added 100 new Retailers to the network taking total Retailer count to 8,600 (exclusive and non-exclusive). JSW now has footprint across 575 districts.
- ✓ Direct sales to end customers have grown by 27% YoY (Neo Steel and Coloron+)
- ✓ Organised 'Mega Engineering Conference', where 700 engineers attended
- ✓ Engaged with 7500+ influencers



Front Side



Back Side

### New Product Launched : JSW Everglow

- First time warranty to end consumer
- Different colour options at the back side
- Superior substrate and paint coating, at premium price point

## New Product/Grade approvals in Q3 FY18

### S700MC(HR)



Bus/Truck Long Member

### HSLA (CRCA)



Car Seating Tracks

### SAE 4122(Alloy Steel)



Integral Gear/ Helical Gear

### 94B17(Alloy Steel)



Crown Wheel

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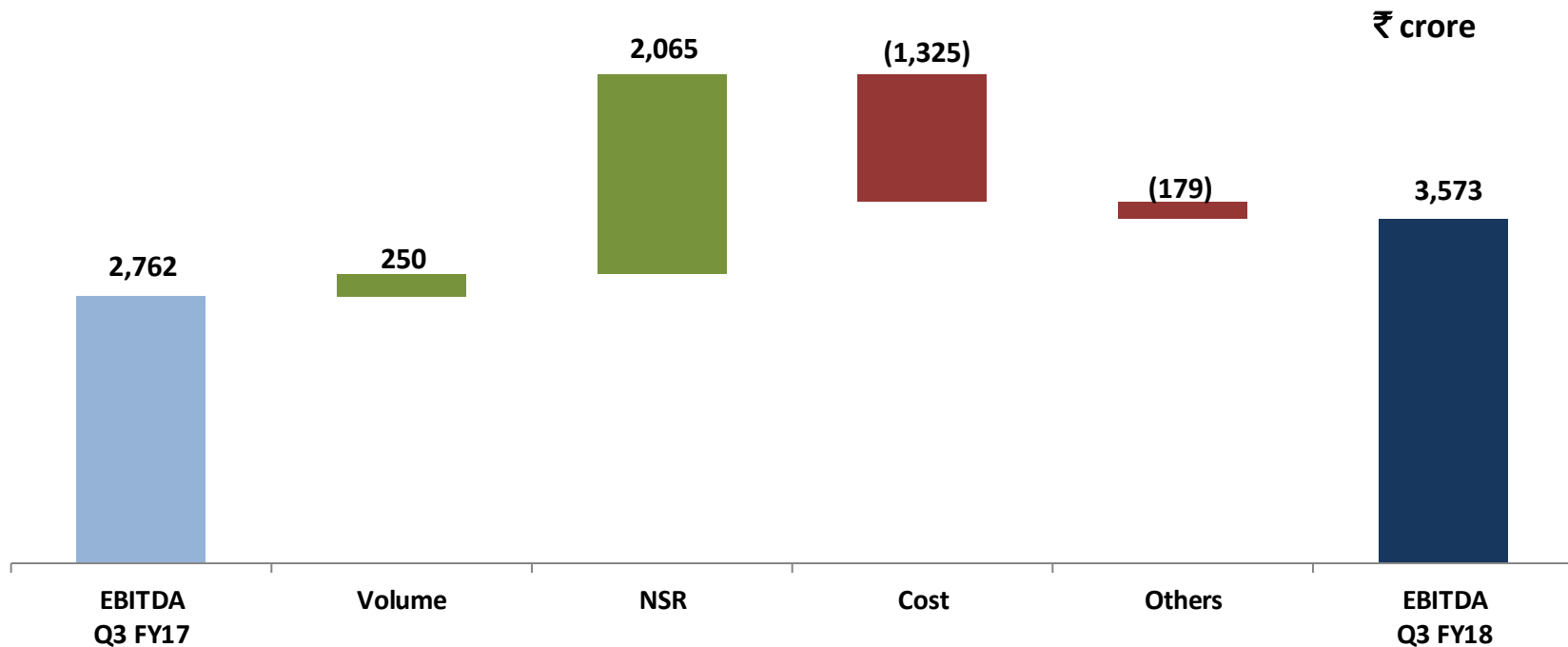
Appendix

## Financials – standalone

₹ crore

Particulars	Q3 FY18	Q2 FY18	Q3 FY17	9M FY18	9M FY17
Revenue from operations	<b>16,453</b>	14,986	14,583	<b>46,535</b>	39,962
Operating EBITDA	<b>3,573</b>	2,927	2,762	<b>8,698</b>	8,539
Other Income	<b>43</b>	49	78	<b>140</b>	174
Finance Cost	<b>892</b>	919	901	<b>2,718</b>	2,680
Depreciation	<b>769</b>	772	747	<b>2,273</b>	2,240
Profit Before Exceptional Items and Tax	<b>1,955</b>	1,285	1,192	<b>3,847</b>	3,793
Exceptional Items	<b>234</b>	-	-	<b>234</b>	-
Tax	<b>595</b>	440	373	<b>1,223</b>	1,220
Profit after Tax	<b>1,126</b>	845	819	<b>2,390</b>	2,573
Diluted EPS (₹)*	<b>4.66</b>	3.50	3.39	<b>9.89</b>	10.65

## Operating EBITDA movement – standalone





## Operational performance – JSW Steel Coated Products

Million tonnes

Volumes	Q3 FY18	Q2 FY18	Q3 FY17	9M FY18	9M FY17
Production	<b>0.35</b>	0.43	0.43	<b>1.22</b>	1.29
Sales	<b>0.51</b>	0.59	0.43	<b>1.59</b>	1.27

₹ crore

Key P&L data	Q3 FY18	Q2 FY18	Q3 FY17	9M FY18	9M FY17
Revenue from Operations	<b>3,034</b>	3,416	2,437	<b>9,510</b>	7,020
Operating EBITDA	<b>90</b>	141	142	<b>436</b>	468
Profit after Tax	<b>18</b>	53	55	<b>188</b>	208

## Operational performance – US Plate & Pipe Mill

Production (net tonnes)	Q3 FY18	Q2 FY18	Q3 FY17	9M FY18	9M FY17
Plate Mill	59,623	52,315	42,291	1,77,428	1,28,937
Utilization (%)	24%	22%	18%	24%	18%
Pipe Mill	15,109	11,488	11,585	38,159	28,432
Utilization (%)	11%	8%	8%	9%	7%

Sales (net tonnes)	Q3 FY18	Q2 FY18	Q3 FY17	9M FY18	9M FY17
Plate Mill	41,486	49,226	31,009	1,43,121	89,477
Pipe Mill	16,044	11,822	11,544	39,860	29,726

USD mn

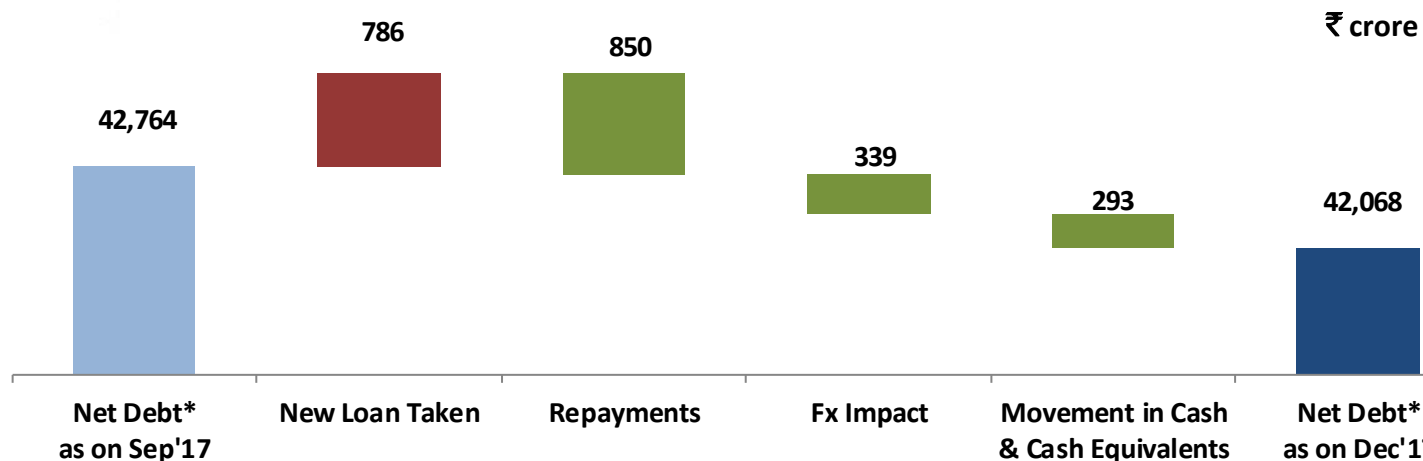
Key P&L data	Q3 FY18	Q2 FY18	Q3 FY17	9M FY18	9M FY17
Revenue from Operations	55.20	54.24	32.37	168.11	94.94
EBITDA	3.86	1.00	(4.36)	9.97	(9.58)

## Financials – consolidated

₹ crore

Particulars	Q3 FY18	Q2 FY18	Q3 FY17	9M FY18	9M FY17
Revenue from operations	<b>17,861</b>	16,848	15,312	<b>50,686</b>	42,619
Operating EBITDA	<b>3,851</b>	3,036	2,821	<b>9,504</b>	9,010
Other Income	<b>42</b>	39	33	<b>122</b>	96
Finance Cost	<b>923</b>	950	921	<b>2,818</b>	2,821
Depreciation	<b>852</b>	851	868	<b>2,522</b>	2,552
Profit Before Exceptional Items and Tax	<b>2,118</b>	1,274	1,065	<b>4,286</b>	3,733
Exceptional Items	<b>264</b>	-	-	<b>264</b>	-
Tax	<b>94</b>	445	351	<b>823</b>	1,275
Share of Associates and Joint Ventures	<b>14</b>	7	2	<b>35</b>	1
Profit after Tax	<b>1,774</b>	836	716	<b>3,234</b>	2,459
Diluted EPS (₹)*	<b>7.25</b>	3.47	3.02	<b>13.31</b>	10.61

## Net debt movement – consolidated



Particulars	31.12.2017	30.09.2017
Cash & cash equivalent (₹ crore)	1,456	1,163
Net Debt/Equity (x)	1.68	1.87
Net Debt/EBITDA (x)	3.32	3.67

## Q3 FY18 Results – Drivers of Performance

Volumes	<ul style="list-style-type: none"> <li>Production volume increased 4% QoQ, aided by a 13% QoQ increase in long products driven by higher utilisation at Dolvi and improved water availability at Salem</li> <li>Consolidated Sales volume increased by 2% QoQ, driven by 14% QoQ increase in Export volumes</li> </ul>
Realisation	<ul style="list-style-type: none"> <li>Average sales realisation increased ~5% QoQ driven by higher steel prices (both flats and longs) in both domestic and export markets</li> <li>Sales of value added and special products improved with higher share in automotive sector</li> </ul>
Operating Costs	<ul style="list-style-type: none"> <li>Blended coking coal prices increased by ~US\$6 per ton</li> <li>Hike in domestic Iron ore prices led to an increase in blended iron ore costs</li> <li>Surge in prices of other key inputs like electrodes and refractories led to higher conversion costs</li> </ul>
Finance costs	<ul style="list-style-type: none"> <li>Borrowings reduced by Rs 696 crore during the quarter, mainly due to favourable Fx movement and repayments</li> <li>Weighted Average Cost of Funds lower by ~23 bps</li> </ul>
Exceptional Items	<ul style="list-style-type: none"> <li>Impairment of Assets and Goodwill at Chile iron ore mine</li> </ul>
Tax Expenses	<ul style="list-style-type: none"> <li>Change in US Federal Tax laws led to a Deferred Tax Liability reversal in the US Business</li> </ul>
Subsidiaries	<ul style="list-style-type: none"> <li>JSW Coated Steel performance impacted by lower volumes due to planned shutdowns and lagged transmission of substrate pricing to end customers</li> <li>US Plate &amp; Pipe Mill utilisations higher QoQ post a subdued Q2 FY18 which was impacted by hurricanes</li> </ul>

## Outlook

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- ❖ Domestic economic activity likely to see an uptick post the slowdown induced by key structural reforms

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- ❖ Government impetus on infrastructure investment and better credit delivery (bank recapitalisation) likely to boost steel demand. Roads and highways, railways, metro projects, water and energy pipelines, irrigation, affordable housing, etc. should be the key drivers of growth.

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- ❖ A sharp increase in raw material prices has put tremendous pressure on costs – increase in steel prices should alleviate cost impact to some extent

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- ❖ Moderation in Chinese exports should lend support to stabilisation of global steel prices amid improving demand across the world

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- ❖ Resolution of stressed assets and likely industry consolidation to improve industry competitiveness

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# Agenda

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Business  
Environment

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Appendix

# JSW Steel Branded Portfolio



**JSW Everglow**  
Advanced Roofing Technology  
Beautiful Inside, Beautiful Outside

**JSW Colouron+**  
Premium Al-Zn Colour Coated Sheets  
Roofs that add beauty to your home

**JSW Galvos**  
Premium GALVALUME  
Coil & Sheets  
Cost-effective Galvalume sheets  
that stand the test of time

**JSW Galveco**  
Lead Free Galvanised Sheets  
100% eco-friendly galvalume sheets

**JSW Colouron**  
Premium Al-Zn Colour Coated Sheets  
Excellent and innovative  
mix of colour and durability

**JSW Pragati**  
Colour Coated Sheets  
Cost-effective coloured roofing solutions



**JSW Trusteel**  
Premium Hot Rolled Sheets

**JSW Neosteel**  
Pure TMT Bars  
Foundation to every strong structure

**JSW Vishwas**  
Premium GC Sheets  
Finest quality steel roofs

**JSW Vishwas+**  
Premium Al-Zn Sheets  
Anti-corrosive sheets  
that stand the test of time



**JSW PEHAL**  
Steel Toilet  
Quality sanitation is everyone's right



## Project updates

### Dolvi – 5 to 10mtpa expansion



- Doubling steel making capacity from 5mtpa to 10mtpa
- To enhance capacity of flat products portfolio
- Expected project cost Rs15,000 crores – implying capital outlay of ~\$470/t\*
- Expected commissioning by March, 2020

### Vijayanagar CRM expansion



- CRM1 complex capacity expansion from 0.85mtpa to 1.80 mtpa
- Two CGL lines of 0.45mtpa each
- New 1.2mtpa Continuous Pickling line
- Expected project cost Rs2,000 crores
- Expected commissioning by September, 2019

## Key project updates

### Pipe conveyor at Vijayanagar



- For environment friendly and low cost transportation of iron ore from mines to the plant
- Capacity of 20mtpa
- Expected project cost Rs650 crores
- Expected commissioning by June, 2018

### Tinplate mill at Tarapur



- To cater to the growing market of tinplate for packaging industry
- Capacity of 0.2mtpa
- Expected project cost Rs650 crores
- Expected commissioning by June, 2018

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## Forward looking and cautionary statement

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*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**