

Record High Production, Sales, EBITDA and PAT for FY 2018-19

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Fourth Quarter and the Financial Year ended 31st March, 2019 ("4Q FY2019" or the "Quarter" and "FY2019" or the "Year").

Key highlights for the year FY2019:**Highest ever Annual performance:****Standalone Performance:**

- Crude Steel production: 16.69 million tonnes, up by 3% YoY
- Saleable Steel sales: 15.76 million tonnes, up by 1% YoY
- Revenue from operations: ₹ 76,727 crores, up by 13%YoY
- Operating EBITDA: ₹ 18,403 crores, up by 34%YoY
- Net profit after tax: ₹ 8,259 crores, up by 79% YoY

Consolidated Performance:

- Revenue from operations: ₹ 84,757 crores, up by 16%YoY
- Operating EBITDA: ₹ 18,952 crores, up by 28%YoY
- Net profit after tax: ₹ 7,521 crores up by 23% YoY
- Net Debt to Equity : 1.34x and Net Debt to EBITDA : 2.43x



The Company achieved highest ever Crude Steel production for the year at 16.69 million tonnes, up by 3% YoY as the average capacity utilization levels improved to 93%. The company has achieved 99.6% the crude steel production guidance of 16.75 MTPA for FY2019.

Saleable Steel volumes for the year grew by 1% YoY, to 15.76 million tonnes, achieving 98.5% of its guidance of 16 MTPA. Consolidated sales volume stood at 15.6 million tonnes, marginally higher over FY 2018 (15.55 million tonnes).

Robust domestic growth

The Company continued to improve its market share as consolidated domestic sales surged to 13.2 million tonnes in FY2019, an increase of 11% YoY compared to 7.5% YoY increase in Indian Steel demand. JSW Steel's domestic sales growth was led by 20% YoY growth in the Automotive segment. Retail segment sales also registered a growth of 7% YoY as the Company continued to increase the distribution footprint. Sales of value added and special products (VASP) accounted for 53% of total sales volumes for the year.

With a strong focus on domestic market, the Company exported 2.4 million tonnes of steel, a decline of 34% YoY and exports accounted for 15% of total sales in FY2019, compared to 23% in FY2018.

Cost leadership

In line with the Company's philosophy of 'Better Everyday', the Company strategically focused on reducing costs by working on the following areas as part of its continuous improvement journey. These include:

- Commissioning of Coke oven battery at Dolvi to eliminate procurement of coke
- Diversifying the coal procurement basket and optimizing coal cost by dynamic coal blends
- Reducing logistics cost by port optimization and usage of Cape vessels to reduce freight costs
- Increase PCI injection to reduce fuel consumption
- Operationalized three iron ore mines and use of captive iron ore, thereby reducing dependency on imported iron ore

Operational Performance Q4:

The details of production and standalone sales volumes for the quarter are as under:

Particulars	(Million tonnes)					
	4Q FY2019	4Q FY2018	%YOY Growth	FY2019	FY2018	%YOY Growth
Production: Crude Steel	4.17	4.31	-3%	16.69	16.27	3%
Sales:						
- Rolled: Flat	3.08	2.97	4%	11.29	11.17	1%
- Rolled: Long	1.04	1.04		3.69	3.55	4%
- Semis	0.18	0.21	-14%	0.78	0.90	-13%
Total Saleable Steel Sales	4.29	4.22	2%	15.76	15.62	1%

With an improvement in international demand and pricing of steel during the quarter, the company strategically shifted its focus to international markets in order to liquidate the accumulated stocks which were built at the end of the third quarter. As a result, exports during the quarter increased sharply and exports accounted for 22% of overall sales. As a result, consolidated saleable steel sales volume for the quarter increased by 19% QoQ and stood at 4.31 million tonnes.

Standalone Performance Q4:

The Company reported Crude Steel Production of 4.17 Million tonnes, which was lower by 3% YoY due to planned shutdown at Dolvi works. Saleable Steel sales for the quarter was 4.29 Million tonnes, up by 2% YoY.

The Company's revenue from operations decreased by 2% YoY to ₹ 19,701 crores, due to net sales realization declining by 2%, YoY. Cost of key inputs like power & fuel and consumables were higher due to rupee depreciation and higher electrode and refractory costs, part of which was offset by lower costs of raw materials like iron ore and coal. As a result, operating EBITDA for the quarter declined by 14% YoY to ₹ 4,341 crores and EBITDA margin stood at 22.03%. The company reported net profit after tax of ₹ 1,745 crores for the quarter.

The Company's balance sheet continues to remain strong as net gearing (Net Debt to Equity) stood at 1.17x at the end of the quarter (as against 1.24x at the end of Q3 FY2019) and Net Debt to EBITDA stood at 2.23x (as against 2.16x at the end of Q3 FY2019).

Subsidiaries' Performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume (Galvanised/Galvalume products) of 0.43 million tons and sales volume of 0.49 million tonnes. Revenue from operations and Operating EBITDA for the quarter stood at ₹ 3,184 crores and ₹ 86 crores respectively. It reported a Net Profit after Tax of ₹ 7 crores for the quarter.

Production volume (Galvanised/Galvalume products) for FY2019 stood at 1.74 million tons and sales volume at 1.79 million tonnes. Revenue from operations and Operating EBITDA for the year was ₹ 12,324 crores and ₹ 393 crores respectively. It reported a Net Profit after Tax of ₹ 80 crores for the year.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 81,290 net tonnes of Plates and 22,996 net tonnes of Pipes, reporting a capacity utilization of 34% and 17%, respectively, during the quarter. Sales volumes for the quarter stood at 63,890 net tonnes of Plates and 23,785 net tonnes of Pipes. It reported an EBITDA of \$5.83 million for the quarter.

Production volume for FY2019 stood at 333,491 net tonnes of Plates and 73,260 net tonnes of Pipes. Sales volumes for the year stood at 274,513 net tonnes of Plates and 74,980 net tonnes of Pipes. It reported an EBITDA of \$26.09 million for the year.

JSW Steel USA Ohio Inc (Acero) :

The US based HR coil manufacturing facility produced 55,264 net tonnes of HRC during the quarter. Sales volumes for the quarter stood at 59,660 net tonnes. It reported an EBITDA loss of \$27.81 million for the quarter.

JSW Steel (Italy) S.r.l. (Aferpi) :

The Italy based Rolled long products manufacturing facility produced 127,399 tonnes and Sold 104,688 tonnes during the quarter. It reported an EBITDA loss of 2.97 million Euros for the quarter.

Consolidated Financial Performance:

Saleable Steel sales for the quarter stood at 4.31 Million tonnes, up by 3% YoY. Revenue from operations increased by 5% YoY to ₹ 22,368 crores for the quarter. Operating EBITDA remained at ₹ 4,440 crores and with EBITDA margin of 19.8%. The Net Profit after Tax for the quarter was ₹ 1,495 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The Company's Balance sheet continues to remain strong with consolidated Net gearing (Net Debt to Equity) of 1.34x at the end of the quarter (as against 1.40x at the end of Q3 FY2019) and Net Debt to EBITDA of 2.43x (as against 2.32x at the end of Q3 FY2019).

Projects and Capex update:

All key projects viz. Expansion of crude steel capacity at Dolvi works from 5 MTPA to 10 MTPA, capacity expansion of CRM-1 complex at Vijayanagar works, modernization-cum-capacity enhancement at downstream facilities of JSW Steel Coated Products and strategic cost savings projects are progressing satisfactorily for commissioning as per schedule.

The works pertaining to revamping and capacity up-gradation of BF-3 at Vijayanagar too are progressing satisfactorily. After taking into consideration strong domestic demand conditions, and with a strategic intent of ensuring no volume loss for FY2020, the Company has decided to defer the shutdown of BF-3 at Vijayanagar for upgradation (as part of Vijayanagar 12 MTPA to 13 MTPA expansion) to a later period after the new BF at Dolvi gets commissioned by March 2020 and starts ramping up. All other projects at Vijayanagar like SMS, Caster and Wire Rod Mill will continue to be completed as per original schedule of March 2020.

In addition, the Board has approved certain new capex proposals entailing a spend of ₹ 5,700 crores, key among which are :

- Downstream investment for about ₹ 1,000 crores
- Cost saving projects of about ₹ 2,200 crores
- Mining and Sustainance capex of about ₹ 2,000 crores

With this, the Company is now implementing a cumulative capex spend of ₹ 48,715 Crores (net of capex projects put on hold during the year) over FY2018 – FY2021. With a cumulative cash outflow of ₹ 14, 371 crores in last two years, the Company plans to spend about ₹ 34,300

Crores over next 2 years, with some spillover to FY2022. These projects are planned to be funded by a mix of debt and internal accruals.

Dividend:

Considering the Company's financial performance for FY2019, the Board of Directors has subject to approval of the members at the ensuing Annual General Meeting recommended dividend at the stipulated rate of 0.01% per share on the 48,54,14,604 cumulative redeemable preference shares (proportionately considering four instalments of redemption) (₹ 0.000790411 per share) for the year ended March 31, 2019.

The Board has, further, recommended dividend at ₹4.10 per equity share on the 2,41,72,20,440 equity shares of ₹1 each for the year ended March 31, 2019, subject to the approval of the Members at the ensuing Annual General Meeting.

The total outflow on account of equity dividend including corporate tax on dividend will be ₹1,195 crores, vis-a-vis ₹933 crores paid for FY2018.

Guidance for FY2020:

The guidance for FY2019-20 is given below, which translates into a capacity utilization of 94% :

Particulars	FY'19 (Actual)	FY'20 (Estimated)	Growth (YoY)
Crude Steel Production (million tonnes)	16.69	16.95	1.5%
Saleable Steel Sales (million tonnes)	15.76	16.0	1.5%

Outlook

The International Monetary Fund (IMF) has revised CY 2019 global growth forecast to 3.3% (from 3.5% in Jan 2019). US economic growth remained robust during the quarter, though outlook has softened as fiscal impulse fades away. The Fed's decision to hold interest rates for 2019 bodes well for a sustained recovery. The Euro area growth outlook has softened on the back of weak industrial growth and soft private consumption with overhang from trade and political uncertainties. Japan's economy is stable with tailwinds from domestic spend and healthy private consumption, notwithstanding external trade weakness.

During the quarter economic activities picked up in China aided by policy support and outlook there is underpinned by calibrated fiscal and monetary policies. Overall, escalating trade measures and political uncertainty pose risks to the global growth outlook. Any positive

development on the resolution of trade uncertainties should be seen as path to modest recovery and improved global growth outlook.

Global Steel spreads softened during the quarter driven by moderating demand outlook and a spike in raw material costs, mainly in seaborne iron ore on the back of supply disruptions. Chinese steel production and exports have increased during the quarter. Strong Chinese output amidst moderating global demand is a source of risk.

India continues to remain a bright spot and has the distinction of witnessing the highest growth rate in steel consumption among major steel consuming markets. This, admittedly, has also made India a magnet to attract higher imports from steel surplus economies, especially from countries like Japan and South Korea who enjoy a Free Trade Agreement.

India's FY2019 crude steel production grew by 3.3% YoY, while the apparent finished steel consumption grew by 7.5%. Imports during this period surged by 4.7% YoY and exports declined by 33.9% YoY.

In India, a strong momentum in government spending on infrastructure is driving an increase in Gross Fixed Capital Formation (GFCF), this is likely to get an impetus with a stable government formation. While IIP and manufacturing PMI have weakened recently, and automotive and consumer durables production have corrected sharply, there is an expectation of improvement in H2 FY2020. A stable government is likely to take measures to spur investment and end user demand.

With stable government, previously announced outlays of INR ~1 trillion in the Interim Budget is expected to spur rural spending and aid overall consumer demand. Further expectations of a normal monsoon bode well for the rural demand.

As a result, the Company expects 6.5% - 7% steel demand growth for FY2020 in India.

Volatility in crude oil prices poses a risk to inflation, while tight liquidity and lack of credit availability remains a source of risk.

About JSW Steel Ltd.: *JSW Steel Ltd. is the flagship company of the diversified US\$ 13 billion JSW Group which has a leading presence in sectors such as steel, energy, infrastructure, cement, sports among others. From a single manufacturing unit in the early 1980s, JSW Steel Ltd, today, is one of the foremost integrated steel company in India with an installed capacity of 18 MTPA, and has plans to scale it up in India and overseas. JSW Steel's manufacturing facility at Vijayanagar, Karnataka is the largest single location steel-producing facility in India with a capacity of 12 MTPA. The Company has been at the forefront of state-of-the-art, cutting-edge technology, research and innovation while laying the foundation for long-term growth. Strategic collaborations with global technology leaders to offer high-value special steel products for various applications across construction, automobile, appliances and other sectors. JSW Steel Ltd. has been widely recognised for its*

business and operational excellence. Key awards include Deming Prize for Total Quality Management at Vijayanagar (2018), DJSI RobecoSAM Sustainability Industry Mover Award (2018) among others.

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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