

JSW Steel reports results for the quarter ending June 30, 2019

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the First Quarter ended 30th June, 2019 ("1Q FY2020" or the "Quarter").

Key highlights for 1Q FY2020:**Standalone Performance:**

- Crude Steel production: 4.24 million tonnes, up by 3% YoY
- Saleable Steel sales: 3.75 million tonnes, down by 2% YoY
- Revenue from operations: ₹ 17,499 crores,
- Operating EBITDA: ₹ 3,726 crores,
- Net profit after tax: ₹ 1,423 crores,

Consolidated Performance:

- Revenue from operations: ₹ 19,812 crores,
- Operating EBITDA: ₹ 3,716 crores,
- Net profit after tax: ₹ 1,008 crores
- Net Debt to Equity : 1.35x and Net Debt to EBITDA : 2.72x

Domestic steel demand during the quarter was impacted by weaker activity levels - driven by a softer public investment spend on account of general elections; a general lack of credit availability across the economy, especially for the small and mid-size businesses; and a weaker sentiment as reflected in slow automotive and consumer durables momentum. This subdued steel demand led to lower sales volume and accumulation of inventory across the industry. Hence, the Company strategically focussed on exports during the quarter, which increased by 34% YoY to 0.62 million tonnes and exports accounted for 17% of total shipments. Overall Consolidated Sales volumes stood at 3.66 million tonnes, a decline of 3% YoY.

Standalone Performance:

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

Particulars	(Million tonnes)		% YoY Growth
	1Q FY2020	1Q FY2019	
Production: Crude Steel	4.24	4.11	3%
Saleable Steel:			
- Rolled: Flat	2.67	2.73	-2%
- Rolled: Long	0.93	0.87	7%
- Semis	0.15	0.23	-36%
Total Sales	3.75	3.83	-2%

The Company reported Crude Steel Production of 4.24 Million tonnes, higher by 3% YoY. Saleable Steel sales for the quarter was 3.75 Million tonnes, lower by 2% YoY primarily due to weaker domestic demand environment and lack of credit availability.

The Company's revenue from operations stood at ₹17,499 crores, a decline of 8% YoY mainly due to lower sales realization, which was lower by 5% YoY. The Company focused on the following key cost savings initiatives to partially offset the impact of the lower realization:

- Increase in PCI (Pulverised Coal Injection) to reduce fuel consumption in the blast furnaces
- Strategically reduced imports of iron ore; higher supplies from captive iron ore mines; and use of pipe conveyer for iron ore movement at Vijayanagar
- Substituting external purchases of coke by ramping up the new captive coke oven batteries at Dolvi

Further, the Company was able to reduce its conversion costs (power and fuel costs, stores and spares and other manufacturing expenses) due to subdued fuel prices and lower prices of electrodes and refractories. The operating EBITDA for the quarter declined by 23% YoY to ₹3,726 crores primarily due to lower sales volumes, however, EBITDA margin stood at a healthy 21.3%. The company reported net profit after tax of ₹1,423 crores for the quarter.

The Company's net gearing (Net Debt to Equity) stood at 1.15x at the end of the quarter (as against 1.17x at the end of Q4 FY2019) and Net Debt to EBITDA stood at 2.43x (as against 2.23x at the end of Q4 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 0.45 million tonnes. Revenue from operations and Operating EBITDA for the quarter stood at ₹ 2,990 crores and ₹ 172 crores respectively. It reported a Net Profit after Tax of ₹ 70 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 83,516 net tonnes of Plates and 23,093 net tonnes of Pipes, reporting a capacity utilization of 36% and 17%, respectively, during the quarter. Sales volumes for the quarter stood at 57,032 net tonnes of Plates and 23,195 net tonnes of Pipes. It reported an EBITDA of \$2.00 million for the quarter.

JSW Steel USA Ohio (Acero) :

The US based HR coil manufacturing facility produced 80,037 net tonnes of HRC during the quarter. Sales volumes for the quarter stood at 71,362 net tonnes. It reported an EBITDA loss of \$36.12 million for the quarter which includes an inventory write-down of \$18.95 million.

JSW Steel Italy (Aferpi) :

The Italy based Rolled long products manufacturing facility produced 154,486 tonnes and Sold 154,764 tonnes during the quarter. It reported an EBITDA loss of 4.16 million Euros for the quarter.

Consolidated Financial Performance:

Saleable Steel sales for the quarter stood at 3.66 Million tonnes, lower by 3% YoY. Revenue from operations reduced by 3% YoY to ₹ 19,812 crores for the quarter. Operating EBITDA stood at ₹ 3,716 crores with EBITDA margin of 18.8%. The Net Profit after Tax for the quarter was ₹ 1,008 crores, after incorporating the financials of subsidiaries and joint ventures.

The Company's consolidated Net gearing (Net Debt to Equity) stood at 1.35x at the end of the quarter (as against 1.34x at the end of Q4 FY2019) and Net Debt to EBITDA stood at 2.72x (as against 2.43x at the end of Q4 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 Company is implementing a cumulative capex spend of ₹ 48,715 Crores over FY2018 – FY2021. The actual cash outflow for Q1 FY2020 is ₹ 2,819 crores, which is in line with the cash outflow plan of ₹ 15,708 crores, for FY 2020.

Outlook

The IMF revised its CY 2019 world GDP growth forecast to 3.2% (from 3.3% earlier) on the back of sluggish economic indicators over the last 3 months. After a strong growth in CY2018 and despite tight labor markets, the US growth outlook has softened as reflected by key economic indicators. The Fed's recent commentary and dovish stance signals possible interest rate cuts in the near future, which bodes well for the outlook for the US economy. Euro area growth continues to remain weak given contraction in industrial growth, subdued private consumption and trade / political uncertainties. Japan is facing headwinds from external trade weakness and softening domestic consumption. Chinese growth remained stable during the quarter. Calibrated fiscal and monetary policy measures are likely to support growth. Overall, ongoing trade tensions and heightened geopolitical tensions contribute to elevated risks. On the other hand, a possible resolution of the on-going trade tensions and accommodative central bank policy measures should lead to global growth recovery.

Global steel spreads further softened during the quarter, mainly driven by a moderation in demand and steel pricing, and elevated raw material costs, especially the sea-borne iron ore markets due to supply disruptions. A disciplined supply response from steel mills along with an increase in iron ore supply should be supportive for steel spreads in the second half of CY2019.

India continues to remain a bright spot in the global steel context, with 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 the FTA countries given nil duty at the time of imports. Currently, 66% of steel imports into India originates from the FTA countries, which is causing an injury to the domestic industry necessitating effective remedial measures.

Indian economic activities during the quarter were underpinned by a general lack of credit availability, resulting in a muted business sentiment across various consuming sectors. Gross Fixed Capital (GFC) formation has slowed down, but structurally it is likely to expand and gain momentum given the government's thrust on building infrastructure through higher public spending. Weaker automotive sales volumes and consumer durables sales in recent months is a



matter of concern. The government's announced outlays in the Union Budget is supportive for the underlying consumer and rural demand. Higher government spend is likely to spur investment demand. Focused measures to ensure timely availability of credit will be key to regain the momentum in the business sentiment and fuel economic growth.

About JSW Steel Ltd.: *JSW Steel Ltd. is the flagship company of the diversified US\$ 14 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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