

JSW Steel reports results for the quarter ending June 30, 2018

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the First Quarter ended 30th June, 2018 ("1Q FY2019" or the "Quarter").

Key Highlights:

- Consolidated Profit After Tax up 275% YoY to ₹2,339 crores
- Domestic Sales Volumes grew 27% YoY vs Indian demand growth of 9.2%
- Sales to Automotive segment grew by 57% YoY
- Resolution Plan submitted for Monnet Ispat and Energy Limited approved with modifications by the Mumbai bench of Hon'ble NCLT, written order is awaited
- Acquisition of Aferpi in Italy completed
- Completed acquisition of 100% shareholding of Acero Junction

Quarterly Performance:

Standalone:

- Crude Steel production: 4.11 million tonnes, up by 5%YoY
- Saleable Steel sales: 3.83 million tonnes, up by 9%YoY
- Revenue from operations: ₹18,964 crores, up by 23%YoY
- Operating EBITDA: ₹4,822 crores, up by 119%YoY
- Highest ever quarterly Net profit after tax: ₹2,338 crores, up by 458%YoY

Consolidated:

- Saleable Steel sales: 3.76 million tonnes, up by 11%YoY
- Revenue from operations: ₹20,519 crores, up by 25%YoY
- Operating EBITDA: ₹5,105 crores, up by 95%YoY
- Net profit after tax: ₹2,339 crores, up by 275%YoY

Operational performance:

The Company reported crude steel production for the quarter at 4.11 million tonnes, up 5% YoY, driven by higher utilisation at all locations. Standalone sales volume increased by 9% YoY to 3.83 million tonnes.

Indian witnessed a robust 9.2% YoY growth in domestic steel demand for the first quarter led by robust government spend on infrastructure and strong consumer demand. Consequently, the Company strategically increased domestic sales by 27% YoY, which aided consolidated sales volumes increasing by 11% YoY to 3.76 million tonnes. Moreover, sales to the strategic automotive segment increased by 57% YoY and sales of value added and special products (VASP) increased 6% YoY.

The details of production and sales volumes are as under:

| Particulars | (Million tonnes) | | % YoY Growth |
|--------------------------------|------------------|-------------|--------------|
| | 1Q FY2019 | 1Q FY2018 | |
| Production: Crude Steel | 4.11 | 3.91 | 5% |
| Saleable Steel: | | | |
| - Rolled: Flat | 2.73 | 2.57 | 6% |
| - Rolled: Long | 0.87 | 0.75 | 16% |
| - Semis | 0.23 | 0.18 | 27% |
| Total Sales | 3.83 | 3.51 | 9% |

Standalone financial performance:

With a strong underlying demand and rising international prices, domestic steel prices too went up during the quarter. As a result, the Company recorded Revenue from operations for the quarter of ₹18,964 crores, which grew 23% YoY. Despite higher cost of key inputs like iron ore, coal, ferroalloys and Natural gas, Operating EBITDA for the quarter grew by 119% YoY to ₹4,822 crores and EBITDA margin stood at 25.4%. The net profit after tax stood at ₹2,338 crores for the quarter, a rise of 458% YoY.

Gearing (Net Debt to Equity) at the end of the quarter stood at 1.21x (as against 1.27x at the end of 4Q FY2018) and Net Debt to EBITDA stood at 2.20x (as against 2.59x at the end of 4Q FY2018).

Subsidiaries performance:

JSW Steel Coated Products: During the quarter, JSW Steel Coated Products registered a production (Galvanized/Galvalume products) of 0.43 million tonnes and sales volume of 0.43 million tonnes. It reported revenue from operations and Operating EBITDA for the quarter at ₹3,031 crores and ₹122 crores, respectively. Net Profit after Tax stood at ₹42 crores for the quarter.

US Plate and Pipe Mill: The US based Plate and Pipe Mill facility produced 80,777 net tonnes of Plates and 14,021 net tonnes of Pipes, reporting a capacity utilisation of 35% and 10%, respectively, during the quarter. Sales volumes for the quarter stood at 65,809 net tonnes of Plates and 14,574 net tonnes of Pipes. It reported an EBITDA of \$10.69 million for the quarter.

Consolidated financial performance:

Aided by an all-round strong performance, JSW Steel recorded Revenue from operations of ₹20,519 crores for the quarter, a growth of 25% YoY. Consolidated Operating EBITDA for the quarter improved by 95%YoY to ₹5,105 crores and EBITDA margin stood at 24.9%. The net profit after tax increased to ₹2,339 crores for the quarter after incorporating the financials of subsidiaries and joint ventures.

Net gearing (Net Debt to Equity) at consolidated level was 1.32x at the end of the quarter (as against 1.38x at the end of 4Q FY2018). Net Debt to EBITDA at a consolidated level stood at 2.26x (as against 2.57x at the end of 4Q FY2018).

The Company's net debt increased by ₹1,070 crores during the quarter, primarily due to a ₹865 crores mark to market impact of Rupee depreciation. The weighted average interest cost during the quarter stood at 7.09%.

Update on Strategic Acquisitions:

Monnet Ispat and Energy Limited: The resolution plan submitted by the consortium of JSW Steel Limited and AION Investments Private II Limited, for acquisition of Monnet Ispat and Energy Limited under the corporate insolvency resolution process has been approved by the Mumbai bench of the Hon'ble National Company Law Tribunal (NCLT) with certain modifications and the written order is awaited.

Acero Junction Holdings Inc: The Company has completed the acquisition of 100% shareholding in Acero Junction Holdings Inc. at Ohio in USA. The work to commence production is underway and the Company plans to start operations by October 2018.

Aferpi: The Company has concluded the acquisition of 100% shares of Aferpi S.p.A., Piombino Logistics S.p.A. and 69.27% of the share capital of GSI Lucchini S.p.A. in Italy. This 1.3 MTPA rolling facility is expected to commence operations by the next quarter.

Projects and Capex update:

All the key projects viz. augmenting crude steel capacity at Dolvi works to 10.7 MTPA, revamping and capacity up-gradation of BF-3 & 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.

Outlook:

Global growth outlook remains strong, with the IMF maintaining 2018 expected growth at 3.9%. Escalating trade tensions do pose risks to the growth outlook. US growth momentum remains strong driven by fiscal stimulus, strong labour markets and high consumer demand. Increasing political uncertainty and trade fears risk are dragging Euro area recovery, despite accommodative monetary stance. Notwithstanding 1Q CY2018 weakness, Japan's growth is expected to strengthen supported by rising investments, budgetary support and stronger private consumption. Despite concerns over moderation in external demand and regulatory tightening of financial sector, China's growth rate expected to soften in an orderly manner.

Earlier this year, the World Steel Association (WSA) forecasted global steel demand to reach 1,616 million tonnes in 2018, an increase of 1.8% over 2017, with no growth in China and a 5.5% expected growth in India. However, for the first six months of 2018 i.e. 1H CY2018 period, both China and India have witnessed an apparent steel consumption growth in excess of 8%YoY. Hence, global steel demand is outpacing expected growth rates. Chinese production continues to remain strong, with moderate monthly net exports.

In India, as government spending on infrastructure remains robust, the Gross Fixed Capital Formation (GFCF) rate continues to exhibit an increasing momentum. Vehicle production and consumer durable sales remain robust driven by high consumer demand. Rural demand momentum is likely to sustain on the back of higher disposable income from higher MSPs and even normal monsoon. Industrial Production momentum remain weak, however, manufacturing PMI seems to be picking up. Inflation continues to harden with rising input prices and rates cycle has an upward bias. Higher oil prices, surging inflation, tight liquidity conditions and likely interest rate hikes pose risks to the growth outlook.

Steel demand in 1Q FY2019 grew at a healthy rate of 9.2% YoY. However, imports of steel into the country surged by 15% YoY. As imports continue to increase and exports decline, India turned a net importer of steel in 1Q FY2019 after a gap of over three years. Imports from Korea and Japan increased by 31% YoY and constituted ~ 52% of total imports into the country.

Post the imposition of Section 232 in the US and suo moto safeguard measures announced by the EU, we have started witnessing diversion of steel imports from steel surplus countries into India. This necessitates imposition of effective trade remedial measures in a timely manner by the Government of India.

About JSW Steel: JSW Steel is a part of the diversified US\$ 13 billion JSW Group, which has a presence in Steel, Energy, Infrastructure, Cement, Ventures and Sports. JSW Steel is the leading integrated steel company with an installed steel-making capacity of 18 MTPA in India. JSW Steel's plant at Vijayanagar in Karnataka, is the largest single location steel producing facility in the country with a capacity of 12 MTPA.

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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