

JSW Steel declares 3Q FY 2019-20 Results

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its results for the Third Quarter and the Nine Months ended 31st Dec, 2019 (“3Q FY2020” or the “Quarter” and “9M FY2020” or the “Nine Months”).

Key highlights of the quarter:**Standalone Performance:**

- Crude Steel production: 4.02 million tonnes
- Saleable Steel sales: 4.03 million tonnes
- Revenue from operations: ₹15,767 crores
- Operating EBITDA: ₹ 2,667 crores
- PAT: ₹ 691 crores

Consolidated Performance:

- Saleable Steel sales: 4.03 million tonnes
- Revenue from operations: ₹18,055 crores
- Operating EBITDA: ₹ 2,451 crores
- PAT: ₹ 187 crores

Crude steel production during the quarter stood at 4.02 million tonnes, up by 5% QoQ (2QFY20 production was impacted by severe monsoon, planned shutdown and weak demand). Production in the quarter was lower by 5% YoY due to extended monsoon which impacted operations at both Dolvi and Vijayanagar.

After a weak momentum during the first half of the year, the current quarter witnessed a turnaround in business sentiment and better liquidity conditions, driving an overall improvement in steel demand and pricing from November onwards. A large part of this demand improvement is from the infrastructure and construction sectors. Following a period of prolonged inventory adjustment (destocking) in the first half, the initial spurt in demand was driven by restocking in the supply chain. As a result, the Company was able to liquidate a large part of the inventory that was accumulated in the first half, primarily by selling more in the domestic markets.

Domestic shipments increased by 25% QoQ – aided by a 33% QoQ surge in sales to the retail segment. Even though overall automotive demand remained subdued in the quarter, the Company’s sales to the automotive segment increased by 10% QoQ.

Consolidated saleable steel sales for the quarter increased by 11% YoY and 13% QoQ to 4.03 million tonnes. The share of Value Added and Special Products in the overall shipments stood at 50%, during the quarter (from 46% in 2QFY20), and exports accounted for 24% of shipments (vs 31% in 2QFY20).

Standalone Performance:

The details of production and sales volumes are as under:

Particulars	(Million tonnes)					
	3Q FY2020	3Q FY2019	%YOY	9M FY2020	9M FY2019	%YOY
Production: Crude Steel	4.02	4.23	-5%	12.09	12.52	-3%
Sales:						
- Rolled: Flat	2.98	2.61	14%	8.22	8.21	-
- Rolled: Long	0.88	0.89	-2%	2.66	2.65	-
- Semis	0.18	0.17	2%	0.50	0.60	-17%
Total	4.03	3.68	10%	11.38	11.46	-1%

Despite a 10% increase in shipments, the Company’s revenue from operations during the quarter stood at ₹15,767 crores, a decline of 15% YoY. This was mainly due to weaker steel prices in both domestic and export markets.

Operating EBITDA for the quarter declined by 41% YoY to ₹2,667 crores with EBITDA margin at 16.9%. Even though prices of key raw materials like iron ore (aided by supplies from captive iron ore mines) and coal were lower, and there was an overall improvement in operating efficiencies, sharply lower steel pricing and realisations dragged margins. Operating EBITDA for this quarter includes a consideration of ₹ 250 crores (already received) from a vendor as fees for assignment of a procurement contract pertaining to the supply of industrial gases.

The Company reported a net profit of ₹ 691 crores for the quarter.

The Company's net gearing (Net Debt to Equity) stood at 1.15x at the end of the quarter (vs 1.19x at the end of Q2 FY2020) and Net Debt to EBITDA stood at 3.23x (vs 2.90x at the end of Q2 FY2020).

Subsidiaries' Performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume of 0.47 million tons and sales volume of 0.52 million tonnes. Revenue from operations and operating EBITDA for the quarter stood at ₹2,982 crores and ₹134 crores respectively. Net Profit after Tax stood at ₹ 50 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 70,479 net tonnes of Plates and 14,669 net tonnes of Pipes, operating at a capacity utilization of 29% and 11%, respectively, during the quarter. Sales volumes stood at 52,749 net tonnes of Plates and 11,328 net tonnes of Pipes. It reported EBITDA loss of \$12.6 million for the quarter, mainly due to lower realization and inventory write-down of ~\$1.77 million.

JSW Steel USA Ohio (Acero):

The US based HR coil manufacturing facility produced 74,272 net tonnes of HRC during the quarter. Sales volumes for the quarter stood at 58,611 net tonnes. It reported EBITDA loss of \$25.19 million for the quarter, which includes an inventory write-down of \$2.02 million.

JSW Steel Italy (Aferpi):

The Italy based Rolled long products manufacturing facility produced 174,523 tonnes and Sold 156,677 tonnes during the quarter. It reported EBITDA loss of 9.95 million Euros for the quarter.

Consolidated Financial Performance:

Revenue from operations declined by 11% YoY to ₹18,055 crores for the quarter and Operating EBITDA stood at ₹2,451 crores.

The Net Profit after Tax for the quarter was ₹187 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 1.36x at the end of Q2 FY2020) and Net Debt to EBITDA stood at 3.71x (as against 3.23x at the end of Q2 FY2020).

Weighted average cost of borrowings as of Dec 2019 was at 6.52% vs 7.02% as of March 2019, implying a cumulative reduction of 50bps over the last nine months.

Projects update:

Key capex projects viz. augmenting the crude steel capacity at Dolvi works from 5 to 10 MTPA, 12 to 13MTPA expansion (except BF-3 enhancement) at Vijayanagar works, capacity expansion of CRM-1 complex at Vijayanagar works and certain other downstream projects are under advanced stages of implementation.

The monsoon season in 2019 in India turned out to be both severe (higher rainfall) and prolonged (lasted longer). Heavy and extended rainfall impacted not only operations, but also the construction and ongoing project activities at all locations. Further, performance delivery of certain key contractors is being impacted by a shortage of skilled manpower availability. Consequently, the commissioning of certain projects is likely to be completed upto 3-6 months behind original scheduled timelines.

The new 5MTPA capacity at Dolvi Works is now expected to be commissioned during the first half of FY2021 (from March 2020 earlier).

Mining update:

Production from the four operating captive iron ore mines in Karnataka stood at 1.22mt in the quarter and 3.26mt in 9M FY20. Subsequently, Rama mine in Karnataka has already commenced operations in January 2020, and the Ubbalagundi mine is expected to commence operations soon.

M&A update:

The company completed the acquisition of Vardhman Industries Limited (VIL) pursuant to the approval of the resolution plan by the Hon'ble National Company Law Appellate Tribunal (NCLAT) in December 2019 for a total consideration of ₹63.50 crores. Accordingly, VIL has become a wholly owned subsidiary of the Company. Consequently, the shareholding of the Group in the joint venture, JSW Vallabh Tin Plate Limited has increased from 50% to 73.55%.

VIL is mainly engaged in the manufacturing and marketing of Colour Coated Coils & Sheets and has a production capacity of 36,000 TPA with manufacturing facility located at Rajpura, Patiala (Punjab).

Outlook

The IMF expects global GDP growth for CY 2020 at 3.3% (up from 2.9% in 2019), driven by a combination of factors – notably, easing of trade frictions and synchronised monetary and fiscal measures across the globe. The US economy continues to witness strong consumer spending and a buoyant housing market. Going ahead, some moderation is expected in consumer spending, while, fading away of trade tensions is likely to improve business sentiment and support moderate expansion in the US manufacturing sector. The Euro area growth remains weak, but economic activities are expected to modestly pick up on the back of easing trade conflicts, political stability and the accommodative policy stance of the European Central Bank. Growth in Japan is likely to revive as the fresh round of fiscal measures kick in. As expected, Chinese growth is stable on the back of appropriate fiscal and monetary measures. Looking ahead into the CY 2020, policymakers are likely to facilitate proactive fiscal and monetary measures to mitigate the downward pressure on the Chinese economy.

Overall, global growth is expected to stabilize as trade frictions have partially eased. The impact of synchronized policy measures are likely to support expansion in CY 2020. On the other hand, heightened geopolitical tension poses risk to this outlook.

Global steel spreads remained under pressure during the beginning of the quarter and hit lows during the month of October. A modest recovery in the month of November, was followed by a strong momentum into December and January. The recovery is being driven by supply side adjustments and a modest pickup in steel demand.

In India, the IIP and Manufacturing PMI prints have improved from the recent lows, signalling an improvement in business confidence and slight improvement in credit availability. The economy is still not completely out of woods as consumer sentiment remains subdued given weaker growth in the automotive and consumer durable volumes.

The Indian Government has undertaken a series of measures, most notably the recently announced ₹102 trillion spend plan on the National Infrastructure Pipeline (NIP) over the next 5 years. A significant portion of this spend is attributed towards building roads, construction of urban and rural housing, modernising or expanding railways – all of which bodes well for the outlook of steel demand. The budgeted spend for NIP is likely to support a recovery in the GFCF cycle, from its recent lows. Overall, supportive fiscal and monetary measures are likely to revive business and consumer sentiment.

The Indian steel sector is expected to grow significantly on the back of various initiatives of the Government pertaining to the domestic infrastructure and supportive monetary policies.

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

N

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 contact:

JSW Group Corporate Communications

Frederick Castro

Mithun Roy

Mobile: +91 99206 65176

Mobile: +91 98190 00967

Email: frederick.castro@jsw.in

Email: mithun.roy@jsw.in

