JSW Steel Limited

Press Release

May 18, 2016

Financial Results for the Fourth Quarter and year ended March 31, 2016

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Fourth Quarter ("4QFY2016" or the "Quarter") and the Financial Year ended 31st March, 2016 ("FY2016" or the "Year").

Key highlights of the quarter:

Standalone Performance:

- Crude Steel production: 3.21 million tonnes
- Saleable Steel sales: 3.28 million tonnes.
- Gross Turnover: ₹10,432 crores
- Operating EBITDA: ₹1,774 crores
- Net debt to Equity: 1.41x
- Net debt to EBITDA: 5.35x

Consolidated Performance:

- Gross Turnover: ₹11,597 crores
- Operating EBITDA: ₹1,825 crores
- Net debt to Equity: 1.78x
- Net debt to EBITDA: 6.33x

Operational performance:

The current quarter was marked by the re-commissioning of Blast Furnaces which were under planned shutdown towards relining/modification and capacity expansion at all three upstream steel making locations viz. Vijayanagar, Dolvi and Salem units of the Company. The Blast Furnaces at Vijayanagar and Salem works were re-commissioned in February 2016 and the Blast Furnace at Dolvi works was re-commissioned only in March 2016. As a result, the Company has been able to record Crude Steel production for the quarter at 3.21 million tonnes, up 5%YoY and 19%QoQ while Saleable Steel sales volume stood at 3.28 million tonnes, up 7%YoY and 29%QoQ. The installed capacity of the Company has increased by about 25% from 14.3 million tonnes per annum to 18 million tonnes per annum with the completion of these low cost and returns accretive projects.

Despite the impact of shutdowns for a large part of the quarter, the Company has recorded domestic sales volumes (JSW Steel standalone and JSW Steel coated products, net off intercompany sale) growth of 24%YoY during the quarter. This was aided by a surge in Retail sales, which grew 68%YoY, as the company continued to focus on strategic expansion of distribution footprint and influencer engagement programmes. Moreover, the product mix was enriched with value added and special products sales accounting for 36% of total sales during the quarter (from 34% in the same period last year). This is despite the strategically reduced share of exports to 12% of total sales (from 24% in the same period last year).

For the full year FY2016, the company recorded Crude Steel production of 12.56 million tonnes while Saleable Steel sales volume stood at 12.13 million tonnes. With the operationalization of its Long product facilities at Vijayanagar during the year, production of Long Products grew by 33%YoY to 2.73 million tonnes.

The details of production and sales volumes are as under:

Particulars	(Million tonnes)			
	4QFY2016	YoY Growth	FY2016	YoY Growth
Production: Crude Steel	**3.206**	**5%**	**12.561**	**-1%**
Sales:				
- Rolled: Flat	2.439	0%	9.204	-5%
- Rolled: Long	0.777	42%	2.711	37%
- Semis	0.067	-11%	0.211	-46%
Total Saleable Steel	**3.283**	**7%**	**12.127**	**1%**

Standalone Financial Performance:

JSW Steel recorded Gross Turnover and Net Sales for the quarter of ₹10,432 crores and ₹9,361 crores, respectively. Topline was impacted by lower steel prices on YoY basis (due to lower commodity prices, accentuated by elevated level of imports at predatory prices). The imposition of minimum import price on various steel products during the quarter has provided some relief and even though domestic iron ore prices increased, the company benefited to some extent on account of lower coking coal prices. Consequently, the Operating EBITDA came in at ₹1,774 crores and EBITDA margin was at 18.6%. Net profit after Tax was at ₹372 crores for the quarter.

Gross Turnover and Net Sales for FY2016 stood at ₹40,354 crores and ₹36,202 crores, respectively. The Operating EBITDA for the year was ₹5,723 crores. The company posted a Net loss of ₹ 3,498 crores for the year, primarily driven by provision for diminution in value of investments and loans and advances effected in 3QFY2016.

The net gearing as on 31st March 2016 stood at 1.41x (as against 1.48x as on 31st December 2015) and Net debt to EBITDA was at 5.35x (as against 5.67x as on 31st December 2015).

Subsidiaries performance:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered production (Galvanised/Galvalume products) volumes of 0.40 and sales volume of 0.42 million tonnes. The Gross Turnover and Net Sales for the quarter stood at ₹1,996 crores and ₹ 1,835 crores, respectively. It recorded an Operating EBITDA of ₹95 crores and a Net Profit after Tax of ₹24 crores for the quarter.

Chile Iron ore Mines:

The Chile operations remain under care and maintenance from end April 2015. The Company reported an EBITDA loss of $0.33 million for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 0.032 million net tonnes of Plates and 0.011 million net tonnes of Pipes, reporting a capacity utilization of 15% and 8%, respectively, during 4QFY2016. Sales volumes for the quarter stood at 0.030 million net tonnes of Plates and 0.012 million net tonnes of Pipes. It reported an EBITDA loss of $10.2 million for the quarter.

Consolidated Financial Performance:

The Company recorded Gross Turnover and Net Sales of ₹11,597 crores and ₹10,471 crores, respectively, for the quarter. The Company reported an Operating EBITDA of ₹1,825 crores and a Net Profit after Tax of ₹171 crores, respectively, after incorporating the financials of subsidiaries, joint ventures and associates.

Gross Turnover and Net Sales for FY2016 stood at ₹45,642 crores and ₹41,217 crores, respectively. The Operating EBITDA was ₹6,073 crores and the company reported a Net loss of ₹742 crores for the year.

The net gearing at consolidated level was 1.78x as on 31st March 2016 (as against 1.83x as on 31st December 2015), Net debt to EBITDA at consolidated level was 6.33x (as against 6.66x as on 31st December 2015) and the weighted average interest cost of debt was at 7.16% (vis-a-vis 7.11%as on 31st December 2015).

Projects update:

During the year FY2016, the Company has commissioned SMS–III and balance portion of CRM-II including Electrical steel complex at Vijayanagar. The three Blast Furnaces which were under shutdown for relining and modification/ capacity augmentation (one at each location viz. Vijayanagar, Dolvi and Salem works) have been re-commissioned and ramp up is progressing satisfactorily. Other ongoing projects are also progressing satisfactorily and are likely to complete as per schedule.

Key New/Ongoing Projects:

The Board of the company has approved the following key new investment projects, which are of very low payback period and are either strategic or related to product enrichment/mining/environment/safety:

Pipe Conveyor System at Vijayanagar:

A pipe conveyor system for transporting Iron ore from the yard near the mines to the Vijayanagar plant will be set up with a capacity of 20 MTPA. This will be an environment friendly solution and reduce transportation costs of iron ore to the plant. The estimated project cost is ₹650 cores and is expected to be commissioned in a period of 24 months.

Water Reservoir at Vijayanagar:

The company will build a water reservoir facility to augment the storage capacity of water at its Vijayanagar Plant. This investment is strategic in nature for un-interrupted operations of the plant. The estimated project cost is ₹ 520 crores and is expected to be commissioned in a period of 26 months.

Tin Plate at Tarapur complex:

The Company's subsidiary, JSW Steel Coated Products Limited is setting up a Tin Plate Mill and related facilities at its Tarapur work to cater to the increasing demand for the tin plate. The estimated project cost is ₹650 crores and is expected to be commissioned in a period of 24 months.

Coke Oven Plant at Dolvi:
The company had earlier decided to setup a 3 million tonnes per annum Coke Oven Plant at Dolvi through Dolvi Coke Projects Limited (DCPL). The company holds 39.996% stake in Dolvi Minerals & Metals Private Limited, which, in turn, holds 100% stake in DCPL. With prudence in financial discipline this project was put on hold last year to preserve cash flows. With the completion of expansion projects and installed steelmaking capacity increasing to 18 million tonnes per annum, the existing coke making facilities are falling short of the total coke requirement of the company. Therefore, the company has decided to setup, in the first phase, a 1.5 million tonnes per annum coke oven plant at Dolvi through DCPL. The total cost for this project will be about Rs 2,000 crore.

Dividend:
Considering the Company's performance and financial position for the year under review, the Board, subject to the approval of the Members at the ensuing Annual General Meeting, has recommended a dividend of ₹1 per share on 27,90,34,907 10% Cumulative Redeemable Preference Shares (CRPS) of ₹ 10 each, for the year ended March 31, 2016.

The Board has, further, recommended dividend at ₹7.50 per equity share on the 24,17,22,044 equity shares of ₹10 each for the year ended March 31, 2016, 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 ₹218.20 crores, vis-a-vis ₹320.02 crores paid for FY15.

Guidance:
The Production and Sales guidance for FY 2016-17 is given below:

Particulars	FY'16 (Actual)	FY'17 (Estimated)	Growth (YoY)
Crude Steel Production (million tonnes)	12.56	15.75	25%
Saleable Steel Sales (million tonnes)	12.13	15.00	24%

New Accounting Standards from FY2017:
As per the roadmap announced by the Ministry of Corporate Affairs, JSW Steel will comply with the new Accounting Standards, IndAS in the preparation of its financial statements for accounting periods beginning on or after 1st April, 2016, along with the comparatives for the periods ending 31st March, 2016. This will also be applicable to subsidiaries, joint ventures or associates of the company. Hence going forward, JSW Steel Limited and JSW Steel group will adopt/report under IndAS from April 1, 2016, including restatement of the opening balance sheet.

Outlook:
Global economy continues to grow, albeit at a slow pace. The International Monetary Fund (IMF) has revised down its projections for CY2016 World Economic Growth yet again to 3.2%. The industrial activities across major regions/countries remain subdued despite sustained monetary easing. It appears that a pickup in global activity levels will be more gradual as downside risks to growth have increased – with issues related to persistent deflationary environment, political

uncertainty in EU and risk of Brexit, a lack of confidence on sustainability of commodity prices and volatile capital flows and currencies.

The World Steel Association forecasts Chinese steel demand to drop by 4% in CY2016 leading to a 0.8% decline in global steel demand. The global steel industry continues to face headwinds of weak demand and overcapacity. What is more worrisome is that Chinese Steel production as well as exports surged back in recent months. The recent spike in steel prices, though they have come-off from recent peaks, was mainly due to a thrust on stimulus and tightness in physical markets in China as well as broad-basing of trade remedial measures across other countries.

The Indian economy continues to recover gradually as public capex and foreign direct investment continue to improve – infrastructure project awards is seeing a pick-up with higher budgetary allocations. Expectations of a normal monsoon this year is likely to drive consumer discretionary spending in rural areas.

Indian steel demand growth rate in CY2016 is expected to be the highest amongst the top 10 steel consuming regions/countries which account for more than 85% of the world steel consumption). We expect Indian steel demand to grow by about 6% in FY2017. Government's measures to pump prime the economy and progress on various policy reforms underpin a constructive medium term demand outlook. However, this also makes India an attractive export destination for steel surplus countries.

In FY2016, the domestic steel industry suffered from rising imports – especially from China, Japan, and Korea. During the year, consumption of domestically produced steel decreased by 0.6%YoY as total steel imports surged by 27%YoY. At the same time, total steel exports also decreased by 24%YoY. Imposition of minimum import price on various steel products has provided some relief; however, the industry sees the need for adequate, swifter and longer shelf-life trade remedial measures to check unbridled and unfair imports of steel in to India.

JSW Steel is a part of the diversified $11 billion JSW Group, which has presence in Steel, Energy, Infrastructure, Cement, and JSW Ventures. JSW Steel is the leading integrated steel company in India with an installed steel-making capacity of 18.0 MTPA. JSW Steel's plant at Vijayanagar is one the largest single location steel producing facility in the country with a capacity of 12 MTPA. JSW Steel has a strong product assortment covering the entire gamut of flat and long steel products manufactured through technology in the form of Corex and Blast furnaces.

<u>Forward looking and Cautionary Statements:</u>

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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