



## **JSW Steel: Value Addition in Business**

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**Dr Vinod Nowal**



## Agenda

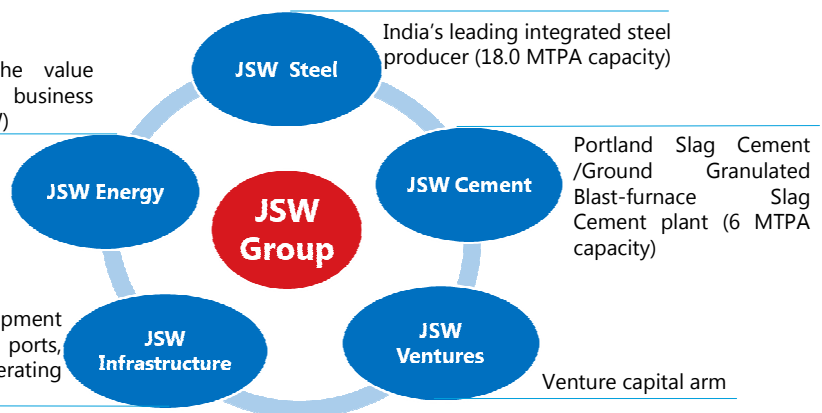
**JSW Steel - Overview**

**Competitive Advantages**

## JSW Group - Overview

Engaged across the value chain of power business (Operates 4,531 MW)

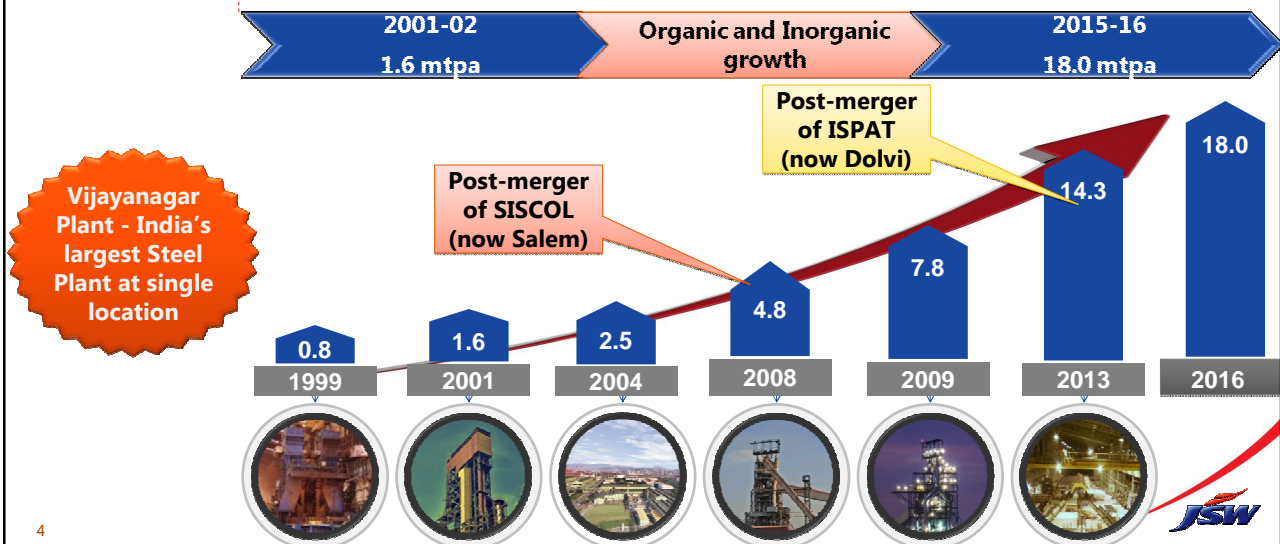
Engaged in development and operation of ports, terminals etc (Operating capacity 33 mn T)



**USD 11 billion group with presence across the core sectors**

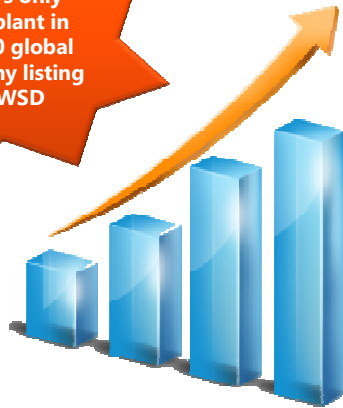


## The Growth of JSW Steel



## Focusing on all aspects of Business Excellence

India's only  
steel plant in  
Top 10 global  
company listing  
by WSD



### Productivity



Throughput Maximisation



### Quality



First time right production



### Cost



Low Conversion Cost



### Delivery



Just in Time



### Morale



Employee engagement



### Safety



Safety Starts from me



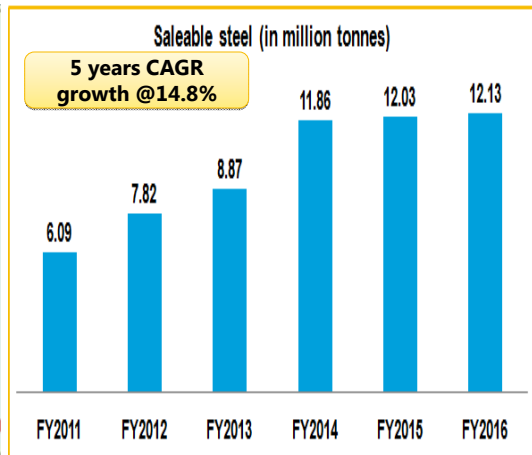
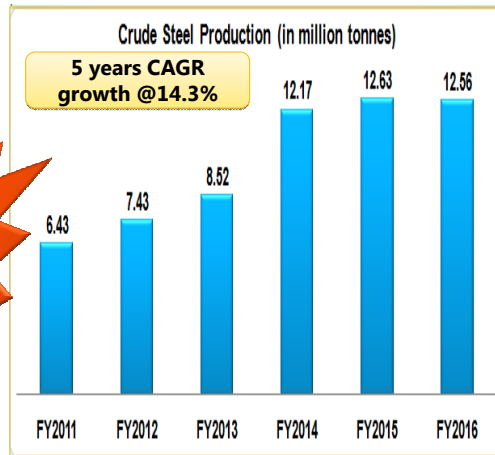
### Environment



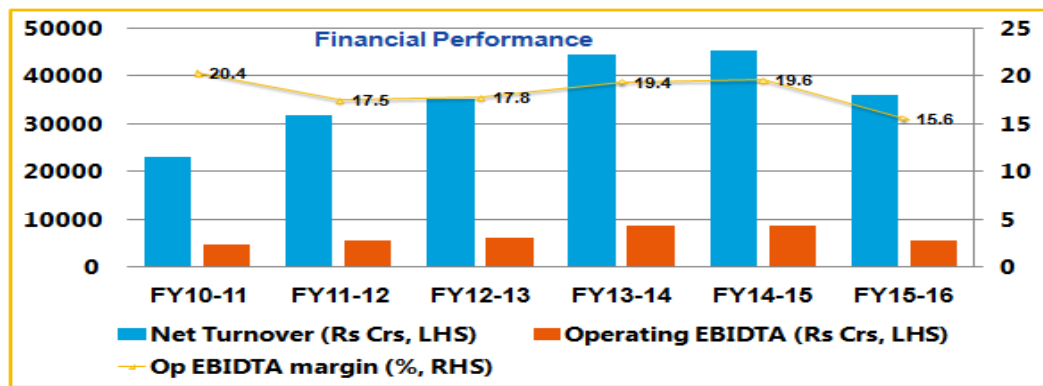
Eco Friendly Production

## Operations – Summary

Highest ever  
monthly Crude  
Steel production  
(1.27 mn tonnes)  
in March 2016



## Financial Performance – Summary



Operating EBIDTA declined in FY15-16 (Rs 5,723 Cr) against FY14-15 (Rs 8,872 Cr) due to sharp drop in net sales realization owing to dumping of steel by steel surplus countries



## Agenda

**Operations Highlights**

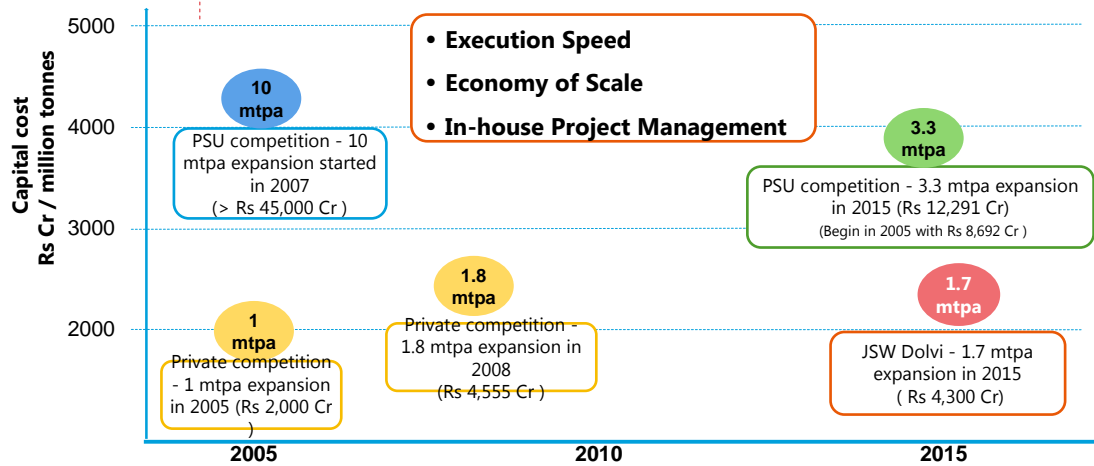
**Competitive Advantages**



## JSW Steel – Competitive Edge



## 1 Project Execution Capability



## Our differentiated GROWTH model



### Decision-making Capability

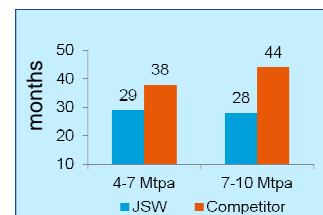
- First mover advantage
- Faster drawing board time
- Fast decision-making
- Faster Concept-to-execution cycle time

### Faster Project Execution Cycle

- Rs 3-3.5K/t building of capacity (6-10K/t for competition)
- In-house capability to select technology on turn-key basis
- Utilizing slowdowns to build capacity

### Faster Cash Generation

- Faster learning curve
- Faster ramp up of facilities
- Higher asset utilization levels
- Fastest return on Investment (ROI)



**CAPEX Execution time (Months)**

2

## Cost Competitiveness

Cost leadership despite absence of captive raw material sources

Weathered Financial meltdown in 2008

Saved from onslaught of predatory Chinese imports

Through integration of facilities, extra cost-saving initiatives over Annual Business Plan

## Global Economic Slowdown 2008

Onset of global meltdown led to slowdown on construction sector

Fall in steel demand led to fall in Prices

- ☐ Drastic cost-cutting measures and drop in raw material prices led to cost reduction
- ☐ Blast Furnace III (2.7 MTPA), then largest in India was commissioned in Feb 2009

Leading steel manufacturer with upturn in economy (10 MTPA by 2010-11)

## Iron Ore Crisis Management

What should the  
Strategy be,  
going forward ?



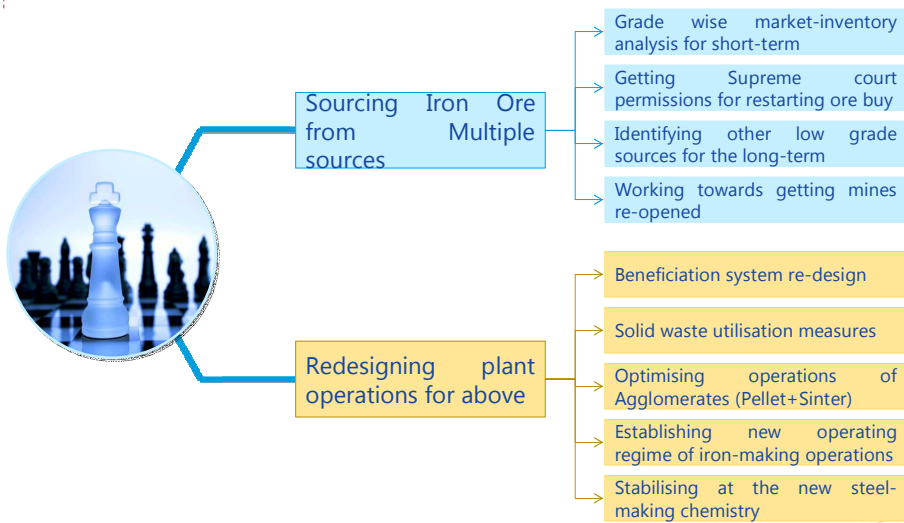
July' 2011  
Karnataka  
Mining ban

April' 2014 -  
Hon'ble  
Supreme Court  
verdict on Goa  
mining

May' 2014  
Orissa Govt  
shuts 26  
mines

Sept' 2014 -  
Jharkhand  
government  
shuts 12  
mines

## Then emerged the two-pronged strategy....





## Slowdown due to Unfair imports - 2014

Cheap, unfair imports sourcing from surplus markets particularly China



Prices fell down drastically due to fall in demand



Cost-cutting measures through **SADHYA** and **DEEP DRIVE**  
resulted in cost reduction



## Special Cost Reduction Drive – Example of Vijayanagar

Over and above Annual  
Business Plan

407 / 445

SADHYA (FY15)

1026 / 1544

DEEP DRIVE (FY16)



### Logistics

- Reduction in Idle Freight **by Rs.77 crores**
- Port Optimization savings **of Rs.78 crores**



### Maintenance

- Stores and Spares consumption reduced **by Rs.97 crores**
- Consumables **by Rs.96 crores**



### Steel Making Shop

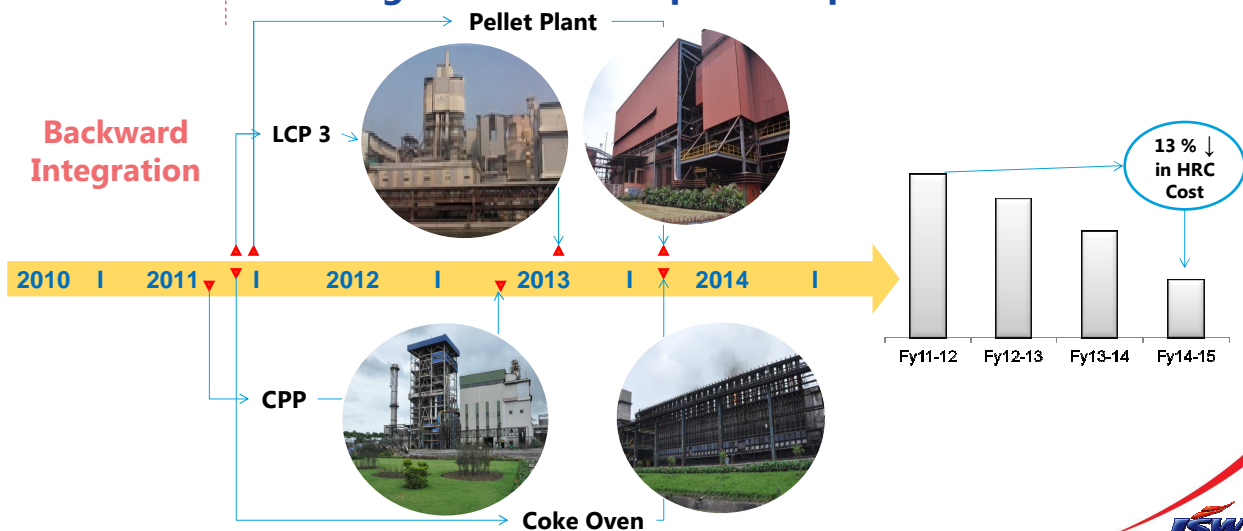
- Reduction in Hot Metal Handling Loss **of Rs.91 crores**
- Reduction in De-Sulphurization compound **by Rs.45 crores**

**DEEP DRIVE 17 Target – Rs 1,017 crores**

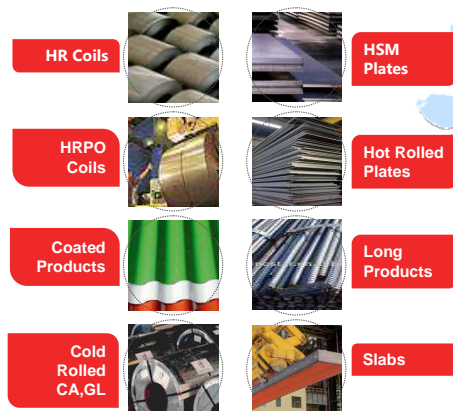


## Attaining Cost Leadership – Example of Dolvi Plant

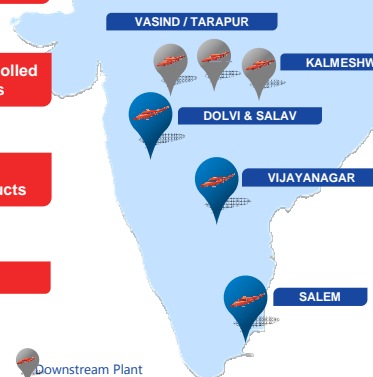
**Backward  
Integration**



### 3 Product Portfolio



**Steel making capacity of 18 Mtpa  
7 manufacturing facilities in India**



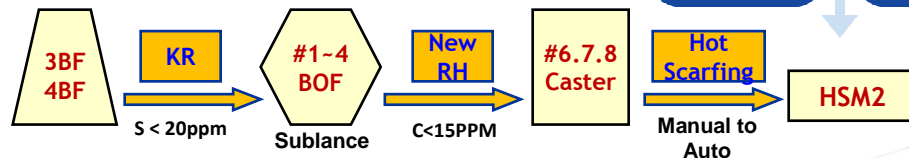
Integrated Steel Plant Downstream Plant

## JSW's Indigenisation

**World Steel  
"Steelie"  
Award for  
development  
of AHSS auto  
grade steel  
with speed and  
innovation**

GRADE	HR Substrates	HR Cost
440 W	JFE Substrates	1.6 times of X
	JSW Substrates	x
270 IF	JFE Substrates	1.6 times of Y
	JSW Substrates	Y

### REQUIRED ADDITION OF FACILITIES



### SWOT Analysis to opt for Indigenization

#### STRENGTH:

- ✓ Customer acceptance
- ✓ Defect free substrate

#### WEAKNESS:

- ✓ Double approval
- ✓ High substrate cost

#### THREAT:

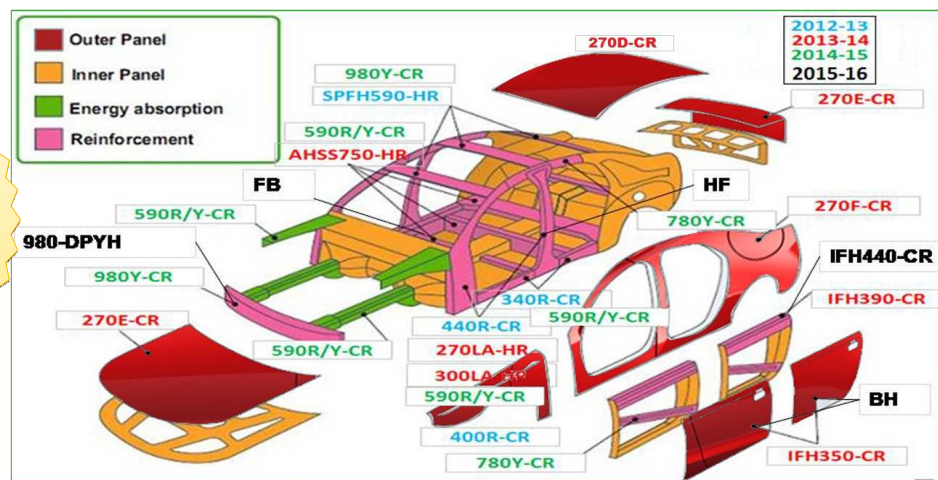
- ✓ High lead time
- ✓ Inflexibility in operation

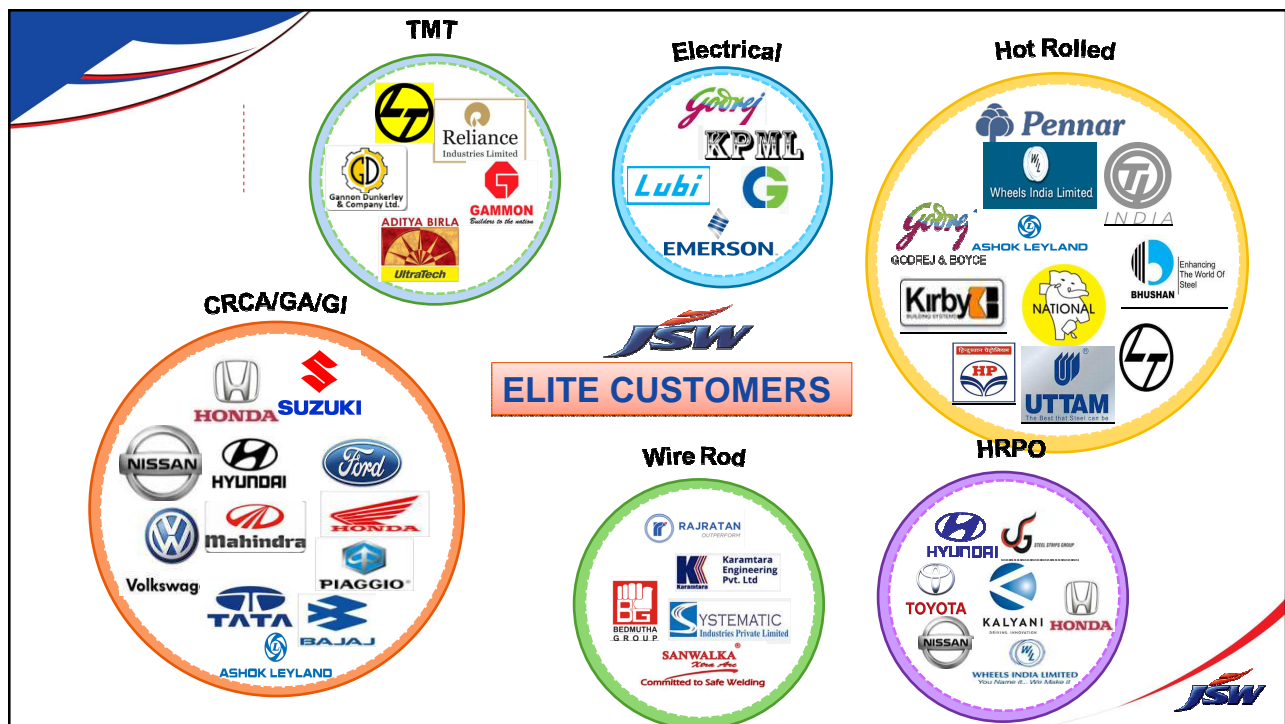
#### OPPORTUNITY:

- ✓ Japanese customers
- ✓ Leveraging skill of JFE

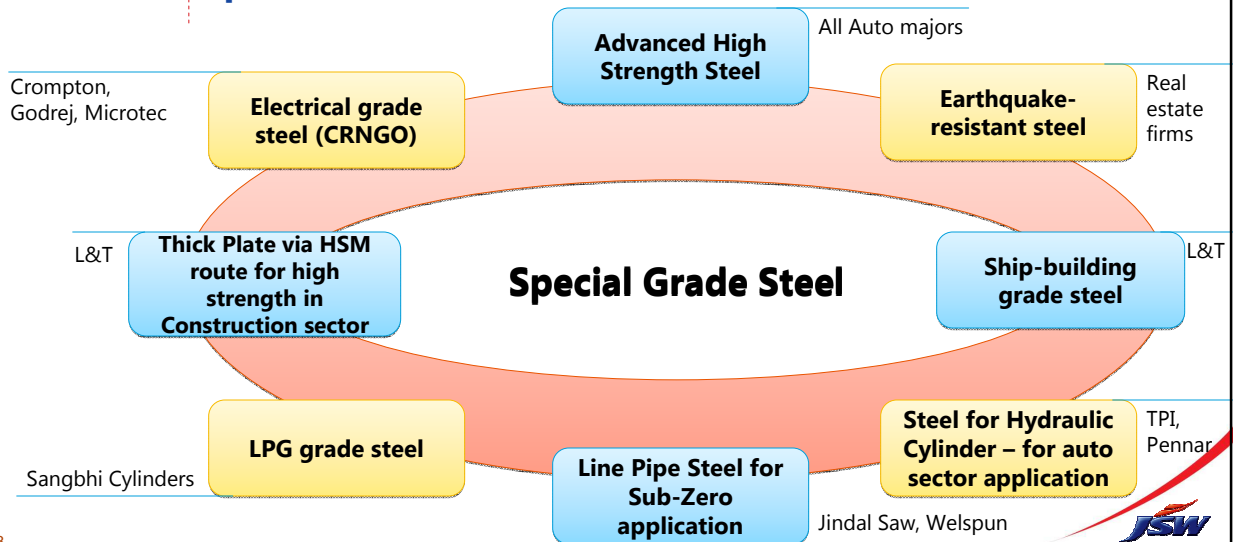
## JSW Auto Products: Making India Self Reliant

**JSW is the only  
Indian Company  
to supply  
complete Auto  
Product Range  
to the  
Automotive  
Customers**

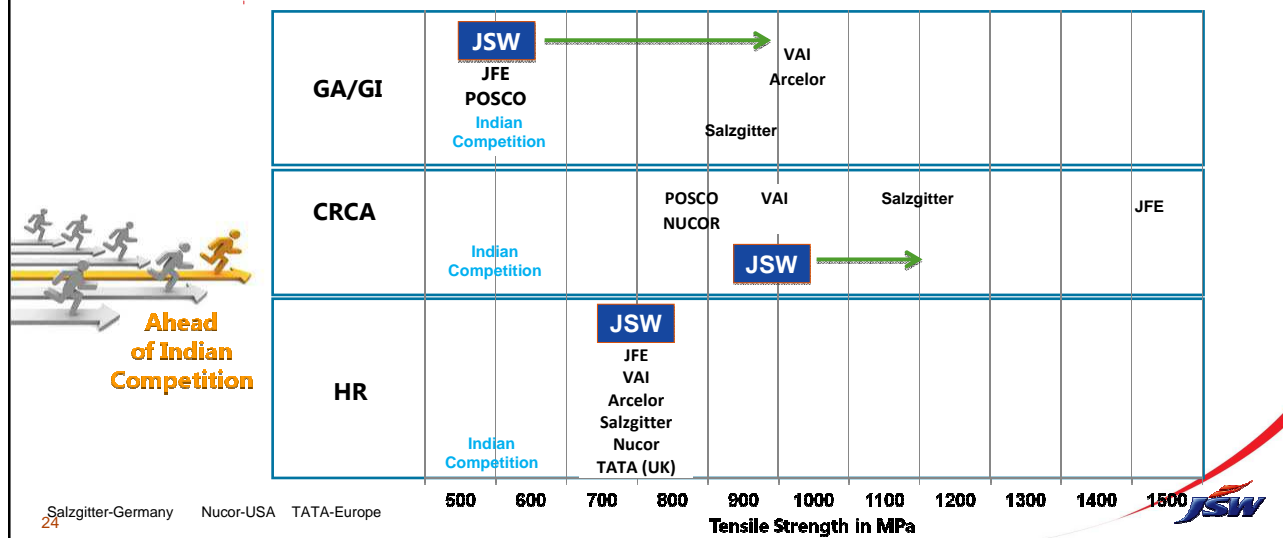




## Special Grade Steel



## New Product development: JSW's Future Growth Driver





## 4 Use of Cutting-Edge Technology – Strategic Alliances



### Alliances



Strategic Collaboration with JFE-Japan for

- ✓ Smooth technology transfer
- ✓ Plant performance improvement
- ✓ Developing high-end automotive grades

- JV with Vallabh Steels for Tin-plate
- JV with Marubeni Itochu for Service Centres (Pune, Palwal)
- Acquisition of Welspun Max Steels (Salav) of 0.9Mtpa
- JV with Severfield for pre-engineering buildings



## **5 Flexible Operations**

**Beneficiation of Low grade and Medium grade iron ore fines**

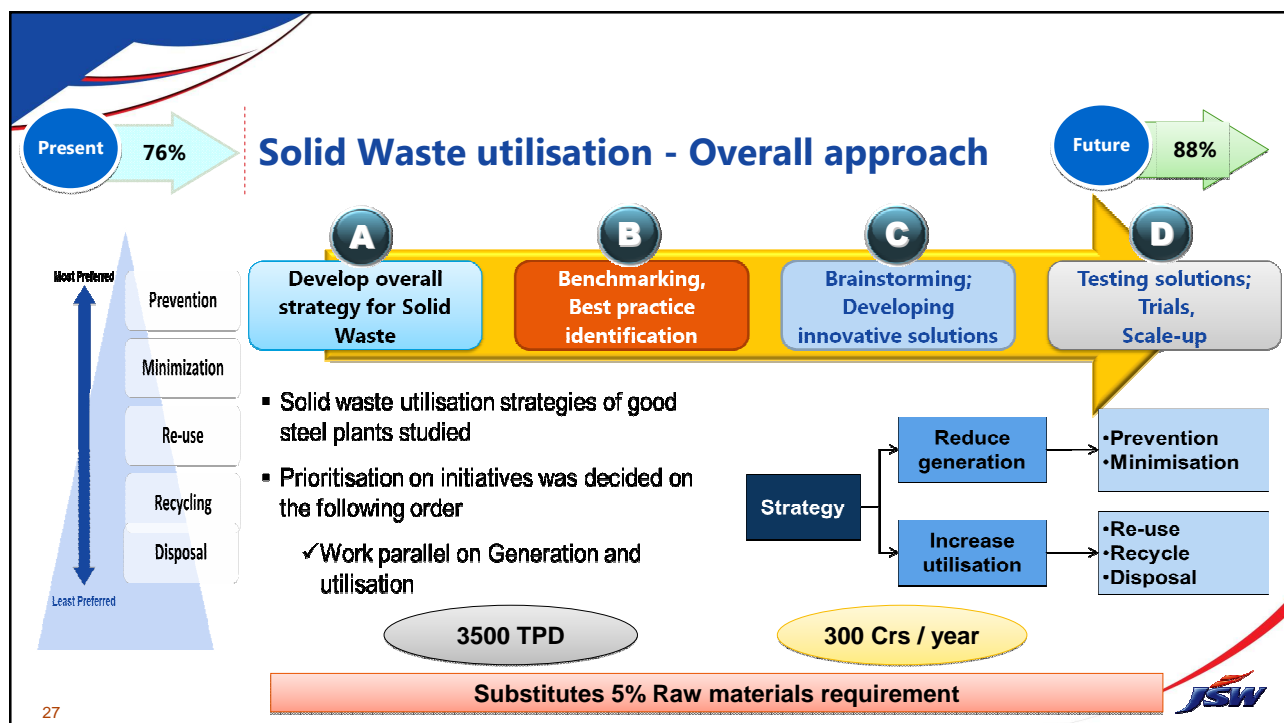
**Improvement in input quality through blending of IOF**

**Direct addition of Slime Recovery Product and Waste to Wealth product in pellet making**

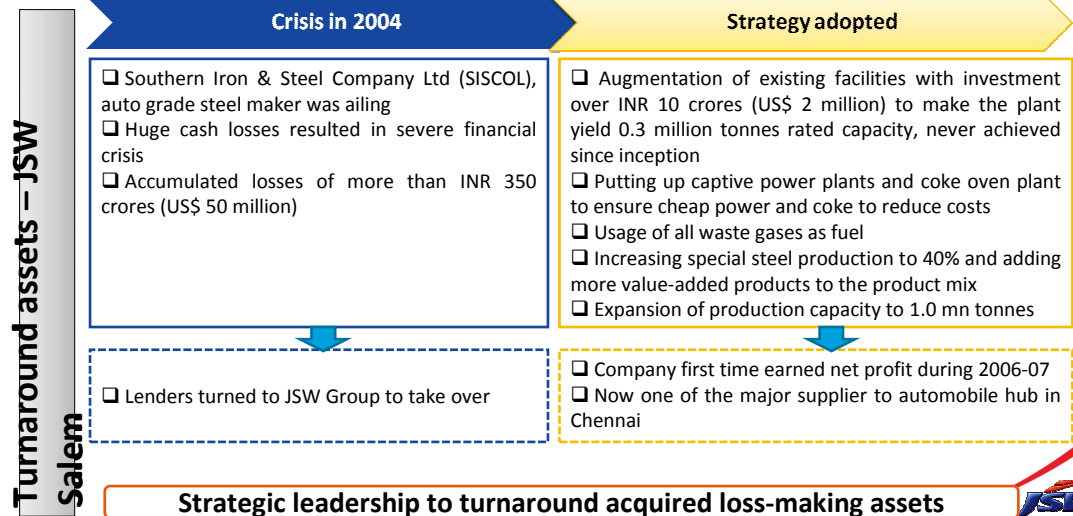
**Usage of metallurgical waste with micro fines in Sinter Plants**

**Direct usage of high MnO iron ore fines in Sinter making**





## 6 Leveraging Operational Advantages from Acquisition



## Leveraging Operational Advantages from Acquisition

Turnaround assets – Dolvi Plant

December 2010

- ❑ Plant under maintenance
- ❑ Loss making at EBITDA level
- ❑ Accumulated losses of US\$ 552 mn
- ❑ High interest cost
- ❑ Financially distressed with debt burden of US\$ 2,240 mn

- ❑ Inability to service existing debt
- ❑ Inadequate cashflows
- ❑ CDR case
- ❑ Lenders turned to JSW

Completed Initiatives –  
FY2011-2015

- ❑ Infusion of equity
- ❑ Alignment of marketing strategies resulting in freight synergies and VAT benefits
- ❑ Reduction of high cost WC funding
- ❑ Refinancing of existing debt
- ❑ Electricity sourcing from JSW Energy at competitive prices
- ❑ Commissioning of new facilities (pellet plant, coke oven, power plant)

- ❑ Exit from CDR
- ❑ Generating positive profit after tax
- ❑ Strong presence of JSW in Western and Central India

Road Ahead

- ❑ Capacity expansion from 5 MTPA to 10 MTPA

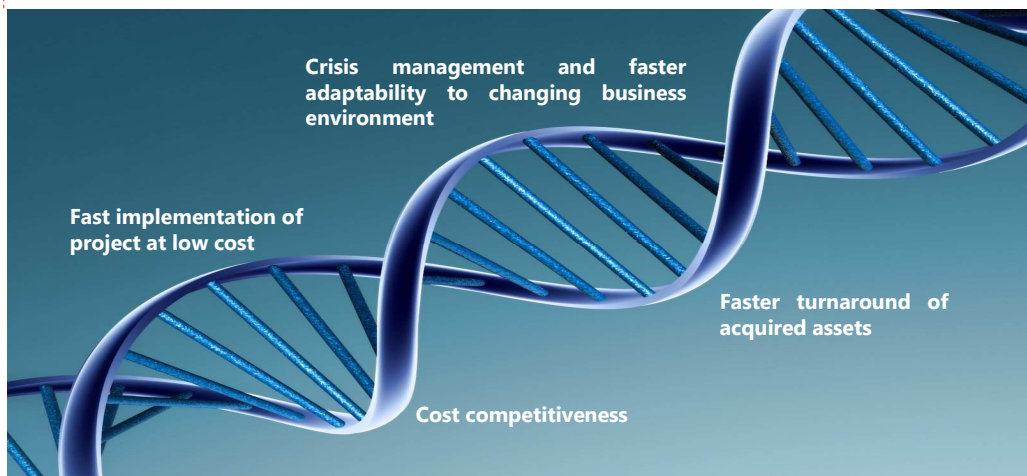
- ❑ Operational improvements underway
- ❑ Profitability to improve substantially

Leveraged an acquisition to maximum value accretion



## DNA of JSW Steel

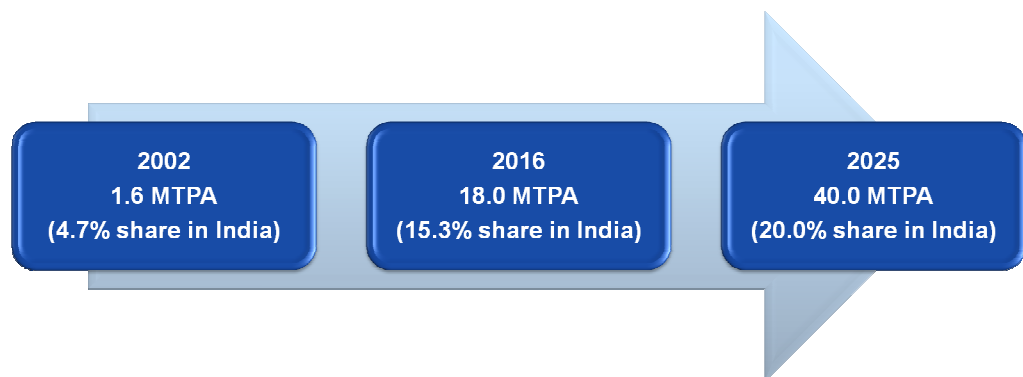
Cost  
leadership



Instilled high confidence to the financial institutions



## Vision 2025



Continued focus on value added and special steel products



***Thank You***