

Chairman and Managing Director's Message

Dear Shareholders,

It is with great pride and pleasure that I report to you at the end of a very successful financial year that saw us report market-leading numbers. Moreover, the Company also triggered off multiple strategic initiatives during the year aimed at realising our long-term vision.

During the year, we launched our revamped Group brand identity. Elucidated through the tagline, 'Better Everyday', our new brand positioning is all about being 'a bold and unwavering transformer'. It demonstrates our drive to make 'better' every life we touch; be it our employees, our business associates, our customers, the communities around our plants and facilities, or the industry fraternity at large. And we do so by following the principle of bettering ourselves, time and again, continuously, with dynamic enthusiasm. Further, to establish this culture and create a consistent brand experience, both for our internal and external stakeholders, we are adopting a personality that is optimistic, empathetic, nationalistic and bold.

Thus, our credo borrows from the actions and outcomes we have demonstrated. In JSW Steel too, we find resonance of 'Better Everyday', in the manner that we have performed, and in the strategic focus we have outlined. We can only get better if we pursue excellence across all facets of our business on a daily basis. This annual report highlights some of the ways in which we are aiming for excellence.

This is also our first integrated report. Creating value for all stakeholders and providers of diverse capitals is inbuilt into our strategy, including the way we measure our performance. Our report now reflects the outcomes of our actions, as relevant to different stakeholders, and also the impact of our strategy and integrated thinking. It is also in line with our commitment to the highest standards of governance and transparency.

■ AN ENCOURAGING ENVIRONMENT

FY 2017-18 was characterised by a broad-based improvement in global growth, rising industrial production, progress on the supply side reforms in China and an uptick in global steel pricing environment.

The Indian economy too saw a strong rebound in demand, especially in the second half, demonstrating a healthy resilience to disruptions and structural changes. India's macro fundamentals, such as fiscal deficit and credit rating are improving, and broad-based financial reforms are being undertaken through initiatives such as relaxation of FDI rules, enactment of the IBC and growth stemming from government spending.

For the first time in many years, elasticity of steel demand to GDP growth exceeded 1x. Infrastructure received a big boost in the form of budgetary allocation, and consumer



sentiment too is on the rise. We also crossed the GDP threshold of US\$2.5 trillion, and with a likely thrust on infrastructure development, the medium to long-term outlook for steel demand growth is very positive.

In addition, the introduction of GST is a seminal reform, which will help formalise the economy, introduce transparency and go a long way in creating a level-playing field, besides weeding out a lot of tertiary inefficiencies. We view this very positively.

Of particular importance are the initiatives around stressed assets resolution, under the new Insolvency and Bankruptcy Code. JSW Steel is participating in strategic opportunities under this process, and is hopeful that quality, efficiency and governance will converge to make better utilisation of some of the capacities that are financially distressed.

■ SETTING NEW MILESTONES

JSW Steel achieved a record performance in the year. With an all-time high crude steel production, our shipments remained buoyant. Revival in domestic demand in the second half of the year was a key catalyst of our performance and was driven by improving prospects of the auto, construction and capital goods sectors. Rising share of value-added and special products in the overall business was another highlight of the year. These products accounted for 58% of our shipments in FY 2017-18 and were instrumental in boosting our realisations as well as profitability.

Our domestic sales volume growth at 9% surpassed the domestic steel consumption growth during the year. Thus, we continued to further consolidate our leadership position in the market.

Our relentless efforts to enhance operational efficiencies are yielding rich dividends as reflected in our robust Return on Capital Employed (ROCE) ratio of 16% – placing us among the top 5 steel companies globally.