

Financial Performance for Second Quarter FY 2020-21

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its results for the Second Quarter ended 30th Sept, 2020 (“2Q FY2021” or the “Quarter” and “1H FY2021” or the “Half year”).

Key highlights for 2Q FY2021:

Standalone Performance:

- Crude Steel production: 3.85 million tonnes, 30% QoQ growth
- Saleable Steel sales: 4.12 million tonnes, 47% QoQ growth
- Revenue from operations: ₹16,797 crores
- Operating EBITDA: ₹4,176 crores, 24.9% of Revenue @ ₹10141/t
- Net profit after tax: ₹1,692 crores

Consolidated Performance:

- Saleable Steel sales: 4.15 million tonnes, 49% QoQ growth
- Inventory dilution 0.48 million tonnes
- Revenue from operations: ₹19,264 crores
- Operating EBITDA: ₹4,414 crores
- Net profit after tax: ₹1,595 crores
- Net debt lower by ₹1635 crores
- Net Debt:Equity @ 1.43x and Net Debt:EBITDA @ 4.73x

Operational Performance 2Q FY2021:

The details of production and standalone sales volumes for the quarter are as under:

Particulars	(Million tonnes)					
	2Q FY2021	2Q FY2020	%YOY	1H FY2021	1H FY2020	%YOY
Production: Crude Steel	3.85	3.84	-	6.81	8.08	-16%
Sales:						
- Rolled: Flat	3.12	2.58	21%	5.11	5.25	-3%
- Rolled: Long	0.77	0.85	-9%	1.23	1.78	-31%
- Semis	0.22	0.17	27%	0.58	0.33	78%
Total Saleable Steel	4.12	3.60	14%	6.92	7.35	-6%



Following the 66% capacity utilisation in the first quarter of Fiscal year 2021 marked by nationwide lockdown, disrupted supply chains and steep drop in demand, second quarter witnessed a sharp rebound in business sentiments and a significant improvement in the domestic economic activities spurred by slew of monetary and fiscal initiatives.

The company achieved an average capacity utilisation level of ~86% for the quarter. This is in line with that of pre-Covid levels of 85% achieved in the second quarter of the previous year. Crude Steel Production during the period stood at 3.85 Million tonnes.

Saleable Steel sales for the quarter was 4.12 Million tonnes, that grew ~ 47% QoQ triggered by revival in domestic demand. The volume of value added & special steel sales was at 51% of the total sales propelled by an increase in sales to auto and coated products segments by 392% and 83% respectively. The retail sales increased by ~177% QoQ supported by the branded sales increase of 153% QoQ.

As the domestic steel demand rebounded from recent lows and gained momentum, the company moderated its exports to 28% from 57% in Q1FY21 with higher sales in the domestic market.

The Crude Steel production and saleable steel volumes for first half of FY2021 stood at 6.81 Million tonnes and 6.92 Million tonnes respectively. The Company is on course to meet the annual guidance of 15 Million tonnes of saleable steel.

Standalone Performance:

The Company's revenue from operations stood at ₹16,797 crores registering a growth of 63% QoQ. The improvement in sales realisation, spurt in sale of coated products, favourable geographical and product mix helped to clock a sizeable growth in sales revenue.

The operating costs were down primarily on account of lower prices of imported coal, better operating leverage and savings in procurement costs and fixed overheads. However, this benefit in cost was partially offset by increase in the iron ore prices. The increase in the net sales realization and fall in operating cost led to achieve a healthy EBITDA margin of 24.9%. As a result, operating EBITDA for the quarter stood at ₹4,176 crores. The company reported net profit after tax of ₹1,692 crores for the quarter.

The Company's net gearing (Net Debt to Equity) stood at 1.19x at the end of the quarter (as against 1.26x at the end of 1Q FY2021) and Net Debt to EBITDA stood at 4.14x (as against 4.77x at the end of 1Q FY2021).

Subsidiaries' Performance 2Q FY2021:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume of 0.51 million tons and sales volume of 0.61 million tonnes. Revenue from operations and Operating EBITDA for the quarter stood at ₹3,782 crores and ₹288 crores respectively. It reported a Net profit after Tax of ₹172 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 54,137 net tonnes of Plates with a capacity utilization of 22%, during the quarter. Pipe Mill is under care and maintenance. Sales volumes for the quarter stood at 51,719 net tonnes of Plates and 447 net tonnes of Pipes. It reported an EBITDA of US\$ 17.24 million (including one off credits) for the quarter

JSW Steel USA Ohio Inc. (Acero):

The US based HR coil manufacturing facility produced 4,501 net tonnes of HRC during the quarter. Sales volumes for the quarter stood at 20,837 net tonnes. EBITDA loss for the quarter was US \$10.52 million. As previously announced, the company has idled the operations to undertake a furnace upgrade project. The upgrades are underway which should improve reliability of equipment and lower conversion costs.

The US operating EBITDA includes an amount of US \$ 30.4 million income recognised from one time disputed claims settlement and Government Grant received.

JSW Steel (Italy) S.r.l. (Aferpi):

The Italy based Rolled long products manufacturing facility produced 72,632 tonnes and Sold 58,136 tonnes of various steel products during the quarter. It reported an EBITDA loss of Euro 12.59 million for the quarter.

Consolidated Financial Performance 2Q FY2021:

Saleable Steel sales for the quarter were at 4.15 million tonnes. The company liquidated 0.48 million tonnes of steel inventory and released working capital.

Revenue from operations stood at ₹19,264 crores for the quarter with Operating EBITDA at ₹4,414 crores. The Net profit after Tax for the quarter was ₹1,595 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The Company's consolidated Net gearing (Net Debt to Equity) stood at 1.43x at the end of the quarter (as against 1.54x at the end of 1Q FY2021) and Net Debt to EBITDA was at 4.73x (as against 5.74x at the end of 1Q FY2021).

Captive Iron Ore Mining Update

The Company acquired mining blocks viz: -Nuagaon, Narayanposhi, Jajang and Ganua in the Auctions held by the Government of Odisha in February 2020. The Company has signed the Mine Development and Production agreement(s) for all the four blocks and executed the lease deed(s) with Government of Odisha after complying with all regulatory aspects. Acquisition cost incurred for these mines such as stamp duty, registration fees and other such costs amounting to Rs. 817 crores have been capitalized as Intangible Assets. Further, the Company has also paid upfront premium payment amounting to Rs. 1,290 crores which would be adjusted against the premium payment due to the Government. The Company has also started mining operations at all the above said blocks from 1 July 2020.



In Karnataka the Company commenced production from two mines from 25th Sept. 2020 out of the three newly acquired mines. The operations from the third mine is expected to commence soon.

Overall dispatches from captive mines in second quarter constituted 27% of iron ore requirements of the company.

Projects and Capex update:

With the improvement in the availability of workforce at all locations, the projects activities picked up momentum.

At Vijayanagar, the 1.2 mtpa Wire Rod Mill has been successfully commissioned and trial production is underway. The construction of 8 MTPA Pellet Plant is progressing well and is expected to be commissioned in 3Q FY2021.

All other projects are progressing as per schedule.

Outlook

The IMF revised CY20 Global GDP contraction to 4.4%, less severe contraction than the earlier forecast of 5.2%. Global growth is expected to rebound and increase by 5.2% in CY21 on the back of swift policy measures.

Recent PMI and IP prints of the US indicate a faster than expected recovery. Fed's accommodative stance is supportive for economic growth. Business sentiments in EU and Japan are improving which bodes well for a gradual economic recovery.

China's Q3CY20 GDP growth of 4.9% reflects strong economic progress. Faster than anticipated recovery in investment, manufacturing is clearly visible.

Synchronised monetary and fiscal policy measures have limited the impact of economic fallout due to COVID19 in the near term, accommodative monetary stance likely to aid momentum of the economic recovery. Re-emergence of infections again inducing localised and targeted lockdowns pose risks to the outlook.

In India, a broad based economic recovery is underway with business sentiments improving substantially over the recent months. The manufacturing activities reflects strong rebound, and the service sector is gradually stabilizing. The recovery in Automotive sector, notably in two wheelers and passenger vehicle is better than anticipated. The Rural economy is resilient, aided by good monsoon, stimulus measures focused on increasing rural income and consumption. Further structural reforms like farm bill augur well for the rural sector.

Lower crude oil price, normal monsoon and accommodative monetary policy supported by fiscal measures are key positives for the economy. India is well placed to reap benefits from global supply chain realignments currently underway

Indian Crude steel production and finished steel consumption declined by ~4% YoY and 10% respectively with significant month on month recovery from the recent lows of April and May. While domestic demand is gaining momentum, India remained a net exporter of steel with export volumes of 5.54 Million tones implying an increase of 70% YoY.

About JSW Steel Ltd: JSW Steel Ltd. is the flagship company of the diversified US\$ 12 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 leading integrated steel companies in India with an installed capacity of 18 MTPA, and has plans to scale it up in India. 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, infrastructure, automobile, appliances and other sectors. JSW Steel Ltd. has been widely recognised for its business and operational excellence. Key honours & awards include World Steel Association's Steel Sustainability Champion (2019), Deming Prize for Total Quality Management at Vijayanagar (2018) and Salem (2019), DJSI RobecoSAM Sustainability Industry Mover Award (2018) among others. JSW Steel is the only Indian company ranked among the top 10 steel-producers in the world by World Steel Dynamics for the last 10 consecutive years.

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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