

Financial Performance for Second Quarter FY 2021-22

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Second Quarter ended 30th Sep, 2021 ("Q2 FY2022" or the "Quarter").

Key Highlights for Q2 FY2022:**Standalone Performance:**

- Crude Steel production: 4.10 million tonnes
- Saleable Steel sales: 3.78 million tonnes
- Highest ever quarterly Revenue from Operations: ₹28,000 crores
- Quarterly Operating EBITDA: ₹8,673 crores
- Highest ever Quarterly Net Profit after Tax: ₹5,393 crores

Consolidated Performance:

- Highest ever quarterly Revenue from Operations: ₹32,503 crores
- Highest ever quarterly Operating EBITDA: ₹10,417 crores
- Highest ever quarterly Net Profit after Tax: ₹7,179 crores
- Net Debt to Equity : 0.92x and Net Debt to EBITDA : 1.58x

In India, the number of Covid-19 cases has been declining sharply from the month of June. With a fast paced ramp-up in the vaccination campaign and easing Covid restrictions during the quarter, there has been a steady bounce-back in economic activity. Recent high frequency economic indicators are reflecting improvement in business sentiment, especially since late August'21 / early September'21.

During the quarter, JSW Steel operated at a healthy capacity utilization of 91% across its steel-making operations. Saleable Steel sales for the quarter stood at 3.83 million tonnes (Indian operations excluding JVs), an increase of 10% QoQ. As a result, the company registered its highest ever consolidated quarterly Operating EBITDA of ₹10,417 crores, with an EBITDA margin of 32.0%. In the month of October'21, the Company commenced integrated operations of its 5 MTPA brownfield expansion at Dolvi.

Standalone Operational Performance Q2 FY2022:

The details of Standalone production and sales volumes for the quarter are as below:

Particulars	(million tonnes)				
	Q2 FY2022	Q1 FY2022	QoQ	Q2 FY2021	YoY
Production: Crude Steel	4.10	4.10	-	3.85	+6%
Sales of Saleable Steel:					
- Rolled: Flat	2.61	2.67	-2%	3.12	-16%
- Rolled: Long	0.95	0.84	+14%	0.77	+23%
- Semis	0.22	0.10	+119%	0.22	+2%
Total Sales	3.79	3.61	+5%	4.12	-8%

JSW Steel reported Crude Steel Production of 4.10 million tonnes, with average capacity utilization of 91% for the quarter, similar to Q1 FY2022, mainly due to planned shutdown at Vijayanagar for campaign repairs of two of its converters and annual shutdown of one of the blast furnaces at Salem.

Sales of Saleable Steel for the quarter was 3.79 million tonnes, higher by 5% QoQ, as Q1 FY2022 was impacted by the second wave of Covid in India. Q2 FY2022 sales were affected by some inventory build-up due to start of the Company's new downstream facilities and increase in inventories at the ports. Exports during the quarter increased by 26% QoQ as domestic demand was subdued due to monsoon.

The Company registered its highest ever quarterly Revenue from Operations at ₹28,000 crores, an increase of 8% QoQ led by improved product and market mix.

The Company achieved quarterly Operating EBITDA at ₹8,673 crores, lower by 8.6% QoQ, with an EBITDA margin of 31.0%. However, on a YoY basis, EBITDA was higher by 108%. The EBITDA margin was lower QoQ primarily due to elevated raw material prices of iron ore, coking coal and other key inputs like power, natural gas and ferroalloys. The Other Income includes ₹702 crores recognition of fair valuation gain on re-measurement of optionally fully convertible debentures held by the Company in one of the Joint Ventures. Consequently, the company reported quarterly Profit after Tax of ₹5,383 crores, higher by 2.4% QoQ

Performance of Subsidiaries:

JSW Steel Coated Products (Consolidated):

During the quarter, JSW Steel Coated Products, including its subsidiaries, registered a production volume (GI/GL + Tin) of 0.75 million tons and sales volume of 0.82 million tonnes. Revenue from Operations and Operating EBITDA for the quarter stood at ₹8,331 crores and ₹1,032 crores, respectively. It reported a Profit after Tax of ₹742 crores for the quarter.

JSW Steel USA Ohio Inc. (Acero):

The EAF-based steel manufacturing facility in Ohio, USA, had recommenced operations in March 2021 following an upgrade. The US steel market continues to be healthy with long lead times at steel mills and robust prices. During Q2 FY2022, it produced 168,122 net tonnes of Slabs. Sales volumes for the quarter stood at 73,275 net tonnes of Slabs and 89,072 net tonnes of HRC. It reported an EBITDA of US\$ 48.28 million for the quarter, an increase of 154% QoQ. It had reported an EBITDA loss of US\$ 10.52 million last year in Q2 FY2021.

US Plate & Pipe Mill:

The Plate & Pipe Mill based in Texas, USA produced 73,274 net tonnes of Plates and 4,890 net tonnes of Pipes, reporting a capacity utilization of 31% and 4% for Plates and Pipes, respectively, during the quarter. Sales volumes for the quarter stood at 63,565 net tonnes of Plates and 5,219 net tonnes of Pipes. It reported an EBITDA of US\$ 13.16 million for the quarter, lower by US\$ 11.29 million QoQ due to 6% lower sales and increase in costs, partly offset by higher NSR.

Italy Operations :

The Italy-based Rolled long products manufacturing facility produced 64,594 tonnes and sold 81,049 tonnes during the quarter. It reported an EBITDA of Euro 6.10 million for the quarter compared to an EBITDA loss of Euro 4.76 million in Q1 FY2022.

Consolidated Financial Performance Q2 FY2022:

Saleable Steel sales for the quarter stood at 3.83 million tonnes (Indian operations excluding JVs), an increase of 10% QoQ. The Company enhanced exports by 22% QoQ to partially offset the fall in domestic demand due to seasonality.

The Company registered strong VASP (Value-added & Special Products) volume, with share of VASP at 60% (vs. 61% in Q1 FY2022 and 51% in Q2 FY2021), driven by increased domestic sales to automotive, solar and appliance segments. VASP volumes were also boosted by robust export demand for coated products.

During the quarter, the performance of Bhushan Power & Steel Ltd. (BPSL) improved significantly, driven by an increase in sales volumes. The share of profit from JVs for the quarter stood at ₹603 crores, an increase of 86% QoQ (Q1 FY2022: ₹323 crores).

The company registered highest ever quarterly Revenue from Operations of ₹32,503 crores and Operating EBITDA of ₹10,417 crores, with an EBITDA margin of 32.0%. The Profit after Tax (including subsidiaries, joint ventures and associates) was ₹7,179 crores for the quarter, which is the highest ever quarterly achievement.

The Company's consolidated Net Gearing (Net Debt to Equity) stood at 0.92x at the end of the quarter (as against 1.04x at the end of Q1 FY2022) and LevG (Net Debt to EBITDA) stood at 1.58x (as against 1.89x at the end of Q1 FY2022).

Production and Sales summary for Q2 FY2022: (million tonnes)

Particulars	Q2 FY2022		H1 FY2022	
	Crude Steel Production	Sales	Crude Steel Production	Sales
JSW Steel Standalone	4.10	3.79	8.20	7.40
JSW Steel USA Ohio	0.15	0.15	0.29	0.25
Joint Control Entities:				
Bhushan Power & Steel Ltd.	0.69	0.76	1.38	1.24
JSW Ispat Special Products Ltd.	0.13	0.14	0.27	0.27
JSW Steel Indian Operations including Joint Control Entities	4.92	4.69 *	9.85	8.91 *
Total Combined Volumes	5.07	4.83 *	10.14	9.16 *

* Without eliminating inter-company volumes

Update on Projects:

The Company had a notable and historic event – the commencement of integrated operations of the Dolvi 5 MTPA brownfield expansion on 19th Oct 2021, with commissioning of one of India's largest Blast Furnaces, and Steel Melt Shops with two converters of 350 tons each. Other key elements of the expansion project include:

- Pellet Plant of 8 mtpa
- Two Phases of Coke Oven battery totaling 3 MTPA capacity
- Hot Strip Mill (5 MTPA): Successfully rolled first slab in March 2021

The 5 MTPA brownfield expansion at Vijayanagar is progressing well, with civil works underway at the site.

The Downstream expansion projects at Vijayanagar, Vasind and Tarapur are in advanced stages of implementation.

During the quarter, the company spent ₹3,639 crores on capex, against a total planned capex spend of ₹18,240 crores for FY2022.

Investment in BPSL

The Company exercised the conversion option of its OFCD's (Optional Fully Convertible Debenture) held in Piombino Steel Limited, the SPV holding 100% of the shares of BPSL. As a result of this conversion of the OFCD's into equity, JSW Steel now holds a controlling stake of 83.28% in BPSL through the SPV, effective from 1st October 2021.

Outlook

In October 2021, the IMF reduced their CY 2021 global GDP growth forecast marginally (-10 bps) to 5.9%, due to Delta variant outbreaks in turn leading to global supply chain disruptions, longer than expected lead times, and high inflation in many countries. Their CY 2022 global GDP growth estimate is unchanged at 4.9%. Moreover, the recovery is estimated to be divergent across the globe, with developed economies registering strong growth backed by better vaccination coverage and faster normalcy in economic activity.

In the US, the economic momentum continues, though slight moderation is being witnessed due to ongoing supply chain disruptions and rising commodity and energy prices. The US housing and labor markets continue to be robust. Further, the recent introduction of the infrastructure bill which is equivalent to about \$4 trillion in spending over the next 10 years should support growth.

European economic growth is underpinned by high vaccination rates and strong investment-driven recovery. In Japan, economic activities were soft as the rate of infections soared during the July-September period. However, an impressive ramp-up of Japan's vaccination campaign taking vaccination levels similar to other advanced economies, bodes well for the outlook. The Chinese economy is slowing down due to reduced real estate investment and energy shortages, while exports have remained robust driven by demand from advanced economies. The Chinese government and central bank are expected to provide policy support to aid growth.

Inflation levels have increased globally, further accentuated by the elevated energy shortages, which pose a risk to the loose monetary policies in place across countries.

In India, steady vaccination ramp-up and easing Covid restrictions have led to a strong bounce-back in economic activity. Recent high frequency economic indicators are reflecting improvement in business sentiment especially since late August/ early September.

However, domestic auto production, especially passenger vehicles, declined on the back of global chip shortages, albeit is expected to revive once chip supply eases.

Construction and Infrastructure activities are expected to gain momentum in the second half of FY 2022. Strong direct and indirect tax revenues reflect an economic revival, and bode well for additional capital spending by the government.

Government initiatives and benign longer term trends are likely to aid revival of investment growth in India. The government announced a National Monetization Pipeline, with assets of approximately Rs.6tn to be monetized over FY2022-25. The “Gati Shakti” program was launched, which entails close coordination across 16 ministries, to deliver integrated multi-modal connectivity. The program aims to significantly improve logistics connectivity in India, and reduce the relatively high logistics costs in India compared to the rest of the world, and increase competitiveness. The government continues with its National Infrastructure Pipeline of Rs.110tn.

The Indian residential real estate market has shown steady improvement, supported by low interest rates, rising incomes and strong employment prospects, and relatively affordable prices. The real estate market has been subdued for several years, and a turn in the cycle bodes well for increased construction activity.

The balance sheets of banks and corporates are healthy, with lower leverage levels compared to pre-pandemic levels, and the RBI’s stance is accommodative; these factors support investment and growth. High inflation and reemergence of Covid cases could be some risk factors for the economic recovery.

About JSW Steel:

JSW Steel is the flagship business of the diversified US\$ 13 billion JSW Group. As one of India’s leading business houses, JSW Group also has other business interests in sectors such as energy, infrastructure, cement, paints, sports and venture capital. JSW Steel has grown from a single manufacturing unit in early ’80s to become India’s leading integrated steel company with a steel-making capacity of 28 MTPA in India & USA, including capacities under joint control & new capacity to be commissioned at Dolvi during this year. Its roadmap for the next phase of growth includes a target of achieving 37.5 MTPA steel capacity by FY25. The Company’s manufacturing unit in Vijayanagar, Karnataka is the largest single location steel-producing facility in India with a capacity of 12 MTPA. JSW Steel has always been at the forefront of research and innovation. It has a strategic collaboration with global leader JFE Steel of Japan, enabling JSW to access new and state-of-the-art technologies to produce & offer high-value special steel products to its customers. These products are extensively used across industries and applications including construction, infrastructure, automobile, electrical applications, appliances etc. JSW Steel is widely recognized for its excellence in business. Some of its key honours and awards include World Steel Association’s Steel Sustainability Champion (consecutively from 2019 to 2021), Leadership Band Rating (A-) in CDP (2020), Deming Prize for TQM for its facilities at Vijayanagar (2018) and Salem (2019), DJSI RobecoSAM Sustainability Industry Mover Award (2018) among others. JSW Steel is the only Indian company to be ranked among the top 10 global steel producers by World Steel Dynamics for 10 consecutive years. As a responsible corporate citizen, JSW Steel’s carbon reduction goals are aligned to India’s Climate Change commitments under the Paris Accord.

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.

For Further Information, Please Contact:

JSW Group Corporate Communications

Frederick Castro

Mobile: +91 99206 65176

Email: frederick.castro@jsw.in

Mithun Roy

Mobile: +91 98190 00967

Email: mithun.roy@jsw.in

