

Financial Performance for Third Quarter FY 2022-23

Highest Ever Quarterly Crude Steel Production

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its financial results for the Third Quarter ended 31st December 2022 (“Q3 FY23” or the “Quarter”).

Key Highlights for Q3 FY23

Standalone Performance:

- Highest Ever Crude Steel Production: 5.32 million tonnes
- Saleable Steel Sales: 4.95 million tonnes
- Revenue from Operations: ₹30,935 crores
- Operating EBITDA: ₹4,030 crores
- Net profit after Tax: ₹1,234 crores

Consolidated Performance:

- Highest Ever Crude Steel Production: 6.14 million tonnes
- Saleable Steel Sales: 5.63 million tonnes
- Revenue from Operations: ₹39,134 crores
- Operating EBITDA: ₹4,547 crores
- Net profit after Tax: ₹474 crores
- Net Debt to Equity: 1.09x and Net Debt to EBITDA: 3.51x

The global economic outlook remains uncertain on the back of policy tightening by central banks as well as the impact from the ongoing conflict in Ukraine. While supply chains have improved and inflation across major global economies is cooling off, there is a risk of a mild recession during 2023 in the developed markets. Reversal of Zero Covid Strategy in China and expected re-opening, as well as declining inflation globally, should provide tailwinds to global growth in H2 of CY 2023.

In India, the fundamental growth drivers remain robust, with strong Manufacturing and Services PMI indicators and positive high frequency indicators. The government’s focus on infrastructure is expected to continue in the upcoming budget. Healthy corporate and banking sector balance sheets, rising credit growth and improving consumer and business confidence should support growth in the near term, despite headwinds from the global slowdown.

The domestic steel industry witnessed demand growth with consumption at 29.86 Million tonnes in Q3 FY23, up by 10.5% YoY and 6.0% QoQ, supported by a better demand from the infrastructure sector. During Q3 FY23,

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exports (excluding semis) from India were at 1.14 million tonnes, lower by 55.7% YoY and 19.2% QoQ. The export duties on finished steel products that were imposed in May 2022, were rolled back on 19th November 2022; this should improve the competitiveness of the Indian steel industry in the global markets going forward.

During the Quarter, the combined crude steel production of JSW Steel was 6.24 Million tonnes, sequentially higher by 10%, mainly due to the ramp-up at 5mtpa Dolvi Phase-II expansion which achieved capacity utilisation of 85% vs. 80% in Q2 FY23. The re-starting of facilities at JSW Ispat Special Products (JISPL) after a maintenance shutdown that had commenced in Q2 FY23, and ongoing ramp-up of BPSL operations after expansion from 2.75mtpa to 3.5mtpa capacity, also contributed to higher production.

The Company's financial performance during the quarter was better sequentially, mainly due to lower coking coal prices. Despite a challenging global economic scenario, healthy steel demand growth is expected in India, which should aid Company's performance in the coming quarters.

Standalone Performance - Q3 FY23:

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

Particulars (Million tonnes)	Q3 FY23	Q2 FY23	%QoQ	Q3 FY22	%YoY
Production: Crude Steel	5.32	4.95	7%	4.41	21%
Sales:					
- Rolled: Flat	3.70	3.60	3%	3.00	23%
- Rolled: Long	1.14	1.18	-3%	0.88	29%
- Semis	0.10	0.23	-55%	0.12	-15%
Total Saleable Steel Sales	4.95	5.01	-1%	4.00	24%

Crude Steel Production was at 5.32 million tonnes, up 21% YoY and 7% QoQ, primarily due to better utilization of Dolvi Phase-II.

Sales of saleable steel at the Standalone level were 4.95 million tonnes for the quarter up 24% YoY, however marginally lower by 1% YoY due to lower export volumes. Quarterly domestic sales at 5.16 million tonnes were the highest ever, led by the Retail & OEM segments. Exports were at 4% of total sales during the quarter at the Standalone level.

The Company registered Revenue from Operations of ₹30,935 crores, higher by 7% YoY, mainly led by higher sales volumes, partly offset by reduction in net sales realisation. However, Revenue from operations is lower by 5% QoQ, mainly due to lower sales realization.

The Company registered Operating EBITDA at ₹4,030 crores for Q3 FY23, up by 131% QoQ with an EBITDA margin of 13% vs. 5.4% in Q2 FY23. The EBITDA margin was higher primarily due to a 14% reduction in costs (mainly lower Coking Coal prices), partly offset by a reduction in net sales realisation.

The Company reported a Net Profit after Tax of ₹1,234 crores for the quarter.

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Subsidiaries' Performance - Q3 FY23:

JSW Steel Coated Products (Consolidated):

During the quarter, JSW Steel Coated Products, including its subsidiaries, registered a production volume (GI/GL + Tin) of 0.73 million tons and sales volume of 0.84 million tonnes. Revenue from Operations for the quarter stood at ₹6,679 crores, and an Operating EBITDA loss of ₹ 11 crores. Margins were impacted by lower realizations and inventory losses. The subsidiary reported a Loss after Tax of ₹162 crores for the quarter.

Bhushan Power & Steel Ltd (BPSL):

During the quarter, BPSL registered Crude Steel Production of 0.74 million tonnes and Sales volume of 0.68 million tonnes. Revenue from Operations and Operating EBITDA for the quarter stood at ₹4,998 crores and ₹341 crores, respectively. BPSL reported a Loss after Tax of ₹150 crores for the quarter.

JSW Steel USA Ohio Inc.:

The EAF-based steel manufacturing facility in Ohio, USA, produced 47,499 net tonnes of HRC and 91,962 net tonnes of Slabs during the quarter. Sales volumes for the quarter stood at 43,936 net tonnes of HRC and 44,784 net tonnes of Slabs. It reported an Operating EBITDA loss of US \$22.8 million for the quarter, part of which is attributable to one-off NRV (net realizable value) losses.

US Plate and Pipe Mill:

The Plate & Pipe Mill based in Texas, USA produced 80,753 net tonnes of Plates and 8,489 net tonnes of Pipes, reporting a capacity utilization of 32% and 6%, respectively, during the quarter. Sales volumes for the quarter stood at 74,030 net tonnes of Plates and 6,738 net tonnes of Pipes. It reported an Operating EBITDA of US\$ 17.2 million.

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

The Italy based Rolled long products manufacturing facility produced 78,175 tonnes and sold 89,075 tonnes during the quarter. It reported an Operating EBITDA of Euro 7.8 million for the quarter.

Consolidated Financial Performance - Q3 FY23:

Saleable Steel sales for the quarter stood at 5.63 million tonnes, higher by 21% YoY driven by higher domestic sales, but lower by 2% QoQ.

The company registered Revenue from Operations of ₹39,134 crores and Operating EBITDA of ₹4,547 crores, with an EBITDA margin of 11.6%. The increase in EBITDA QoQ is attributable primarily to a reduction in Coking Coal prices. The decline in sales realizations partly offset the benefit from lower costs. The Profit after Tax for the quarter was ₹474 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The Company's consolidated Net Gearing (Net Debt to Equity) stood at 1.09x at the end of the quarter (as against 1.04x at the end of Q2 FY23), and Net Debt to EBITDA stood at 3.51x (as against 2.70x at the end of Q2 FY23). Net Debt as of 31st December 2022 stood at ₹69,498 crores, higher by ₹3,779 crores vs. 30th September 2022 due to higher working capital and FX impact.

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Production and Sales Summary:

Particulars (million tonnes)	Q3 FY23		9M FY23	
	Crude Steel Production	Sales	Crude Steel Production	Sales
Consolidated Indian Operations	6.06	5.55	17.25	15.51
Joint Control Entity:				
JSW Ispat Special Products Ltd.	0.10	0.08	0.23	0.24
Indian Operations including Joint Control Entity	6.16	5.63	17.48	15.75
JSW Steel USA Ohio	0.08	0.08	0.32	0.34
Total Combined Volumes	6.24	5.71	17.80	16.09

Update on Projects:

The 5mtpa brownfield expansion at Vijayanagar is progressing well, with civil works underway at the site. Long lead-time items have been ordered, and Letters of Credit established. Equipment erection has commenced for all packages. The project is expected to be completed by the end of FY24.

The Phase-II expansion at BPSL from 3.5mtpa to 5mtpa remains on track for completion by FY24.

The Company's capex spend was ₹4,114 crores during Q3 FY23, and ₹10,707 crores for 9M FY23, against the revised planned capex spend of ₹15,000 crores for FY23.

Outlook

The global economic outlook has softened, with the World Bank expecting 2023 global GDP growth to decelerate to 1.7% (compared to 3% in their June 2022 forecast). This is driven by policy tightening by Central Banks and ongoing disruptions from the Russia-Ukraine conflict. That said, inflation appears to have peaked out and is moderating across most major economies. This, along with re-opening in China post the reversal of Zero Covid Strategy, is expected to provide some tailwinds in H2 2023. The World Bank expects global GDP growth to increase to 2.7% (+100bps YoY) in 2024.

In the United States, the policy tightening by the Federal Reserve, as well as weak global conditions are slowing down both consumption and investments. Industrial activity is slowing down and the Manufacturing PMI has contracted to below 50 in December. While labour markets remain tight, the continuing decline in inflation could improve sentiment later in 2023.

While adequate gas storage and a warmer winter season have averted severe economic downturn in Europe, outlook remains weak due to ECB tightening and ongoing conflict in Ukraine. Inflation has been cooling down but industrial activity remains subdued. Consumer confidence remains low but has seen some improvement recently given no outright energy rationing. Expectation of a mild recession during mid 2023 is the base case.

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Japan is seeing its exports impacted by slowing global growth. It remains the only major developed economy where inflation is rising. Wage growth remains below inflation and could weigh on consumer spending. However, easing of supply chain pressures should drive industrial recovery while rebound in tourism will help services.

China has recently relaxed its Zero Covid Strategy, which is causing a spike in Covid cases. It is expected that this Covid wave will be disruptive during the current quarter, and the economy should gradually normalize from Q2 CY23. Low inflation and interest rates, pent-up demand and policy support is expected to drive a recovery in investments, and will aid economic recovery. Relaxation of travel restrictions and opening up of borders is a significant positive for services.

India's fundamental growth drivers remain robust despite the environment of global weakness. Manufacturing and Services PMI's and high frequency indicators are strong. The upcoming Union Budget is expected to continue the government's focus on infrastructure and the rural sector. Strong tax collections should support healthy spending ahead of general elections in 2024. Productive investments like NIP, PLI Schemes across various sectors, and indigenisation of defence equipment should continue to drive capex growth. The rural economy is expected to recover on the back of a better winter crop, elevated reservoir levels and falling inflation. The outlook for residential real estate, autos and renewables remains strong. However, the global slowdown and geopolitical risks remain key headwinds.

About JSW Steel:

JSW Steel is the flagship business of the diversified, US\$ 22 billion JSW Group. As one of India's leading business houses, JSW Group also has interests in energy, infrastructure, cement, paints, sports, and venture capital. JSW Steel, certified by Great Places to Work in 2021, has emerged as an organization with a strong cultural foundation. Over the last three decades, it has grown from a single manufacturing unit to become India's leading integrated steel company with a capacity of 28.5 MTPA in India and the USA (including capacities under joint control). Its next phase of growth in India will take its total capacity to 38.5 MTPA 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 and offer high-value special steel products to its customers. These products are extensively used across industries and applications including construction, infrastructure, automobile, electrical applications, and appliances. JSW Steel is widely recognized for its excellence in business and sustainability practices. Some of these recognitions include World Steel Association's Steel Sustainability Champion (consecutively from 2019 to 2022), Leadership Rating (A) in CDP climate change disclosure (2022), Deming Prize for TQM for its facilities at Vijayanagar (2018), and Salem (2019). It was part of the Dow Jones Sustainability Index (DJSI) for Emerging Markets during 2021 and inclusion in the S&P Global's Sustainability Yearbook (consecutively for 2020 and 2021). In December 2022, JSW Steel was ranked 8th among the top 35 world-class steelmakers, according to the 'World-Class Steelmaker Rankings' by World Steel Dynamics (WSD), based on a variety of factors. As a responsible corporate citizen, JSW Steel's CO₂ emission reduction goals are aligned with India's Climate Change commitments under the Paris Accord.

A handwritten signature in blue ink, consisting of a stylized 'N' shape.

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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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