ACERO JUNCTION HOLDINGS, INC.

SPECIAL PURPOSE

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

With report of Independent Auditor

ACERO JUNCTION HOLDINGS, INC.
SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2023

S R B C & CO LLP
Chartered Accountants

12th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai - 400 028, India
Tel : +91 22 6819 8000

Independent Auditor's Report

To the Board of Directors of
JSW Steel Limited

Report on the audit of the Special Purpose Consolidated Financial Statements

Opinion

We have audited the Special Purpose Consolidated Financial Statements of Acero Junction Holdings, Inc. (the Company) and its subsidiary (collectively referred to as 'the Group'), which comprise the consolidated balance sheet as at March 31, 2023, and the related consolidated statement of comprehensive loss/(income), consolidated statement of changes in Shareholder's equity/ (deficit) and consolidated statement of cash flows for the year then ended, and the related notes to the Special Purpose Consolidated Financial Statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying Special Purpose Consolidated Financial Statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and the consolidated results of its operations and its consolidated cash flows for the year then ended in conformity with note 2(a) of the Special Purpose Consolidated Financial Statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards further described in the Auditor's responsibilities for the audit of the Special Purpose Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Special Purpose Consolidated Financial Statements in the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Preparation and Restriction on Distribution

As described in Note 2(a) these Special Purpose Consolidated Financial Statements are prepared for JSW Steel Limited ('the Parent Company') to comply with the requirement of Regulation 46(2) of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, as amended (the 'LODR') in India and for the purpose of submission to lending banks. As a result, the Special Purpose Consolidated Financial Statements may not be suitable for any other purpose. It is not to be used for any other purpose, or referred to in any other document, or distributed to anyone else without our prior written consent. Our opinion is not modified in respect of this matter.

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S R B C & CO LLP, a Limited Liability Partnership with LLP Identity No. AAB-4318
Regd. Office : 22, Camac Street, Block 'B', 3rd Floor, Kolkata-700 016

Responsibilities of management and those charged with governance for the Special Purpose Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with the basis of preparation paragraph as specified in Note 2(a) of the Special Purpose Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the special purpose consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Vikram Mehta
Partner
Membership Number: 105938
UDIN: 23105938BGXGHH2990

S R B C & CO LLP * MUMBAI * CHARTERED ACCOUNTANTS

Place of Signature: Mumbai
Date: 06 July 2023

ACERO JUNCTION HOLDINGS, INC.
Consolidated Balance Sheet
(Currency: US Dollars)

	Note	March 31, 2023	March 31, 2022
Assets			
Current assets			
Cash and cash equivalents		632,651	517,288
Restricted cash		15,000	2,813,971
Accounts receivables, net of provision	5	30,926,373	63,811,509
Inventories	6	130,482,204	151,262,305
Advances to vendors		10,139,241	1,926,882
Prepaid expenses and other current assets		1,325,143	1,310,020
Total current assets		**173,520,612**	**221,641,975**
Property, plant and equipment, net of accumulated depreciation	7	172,012,330	176,590,233
Intangible assets, net of accumulated amortisation	8	1,068,479	1,311,704
Advances to vendor	16	7,292,000	9,000,000
Total assets		**353,893,421**	**408,543,912**
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payables	10	55,952,990	30,390,656
Accrued liabilities		4,586,465	4,451,656
Short term debt and current maturities of long term debt	11	133,576,638	77,969,583
Notes payable to and current maturities of loans from related party	13	46,903,000	58,535,854
Employee compensation and benefits		2,397,963	3,767,208
Accrued interest on borrowings and loans from related party		5,169,527	2,263,686
Federal and states taxes payable (net)		-	1,745,452
Other current liabilities		3,841,750	3,961,805
Total current liabilities		**252,428,333**	**183,085,900**
Long-term debt, net unamortized issuance cost	11	70,881,753	133,713,932
Loans from related parties	11	377,931,193	336,798,339
Accrued interest on loans from related parties		22,762,853	2,144,143
Total Liabilities		**724,004,132**	**655,742,314**
Shareholders' Equity			
Class A Common Stock, $ 0.01 par value [500 shares authorized; 53 shares issued and outstanding as at March 31, 2023 and 2022]		1	1
Class B Common Stock, $ 0.01 par value [500 shares authorized; 47 shares issued and outstanding as at March 31, 2023 and 2022]		-	-
Additional paid-in capital		32,735,899	32,735,899
Accumulated deficit		(402,846,610)	(279,934,303)
Total shareholders' equity		**(370,110,711)**	**(247,198,403)**
Total liabilities and shareholder's equity		**353,893,421**	**408,543,912**

See accompanying notes to the special purpose consolidated financial statements.

Samir Kalra
Chief Financial Officer

Rahul Singh
Vice President - Finance

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ACERO JUNCTION HOLDINGS, INC.

Consolidated Statement of Comprehensive (Loss)/Profit
(Currency: US dollars)

	Note	Year ended March 31, 2023	Year ended March 31, 2022
Revenue	4	511,548,672	637,235,226
Total revenues (A)		**511,548,672**	**637,235,226**
Operating expenses:			
Cost of sales		556,643,860	487,323,443
Selling, general and administrative expenses		46,963,330	44,703,055
Total expenses (B)		**603,607,190**	**532,026,498**
Income/(loss) from operations (C=A-B)		**(92,058,518)**	**105,208,728**
Other income (expenses):			
Financing costs	12	(34,204,916)	(30,232,731)
Other income/(expenses) (Net)		3,112,811	(3,063,131)
Total other expenses (D)		**(31,092,105)**	**(33,295,862)**
(Loss)/Income before income taxes (E = C-D)		**(123,150,623)**	**71,912,866**
Income taxes			
Deferred tax expense /(benefit)	9	-	-
Current income tax	9	(238,316)	3,539,561
Total Income tax		**(238,316)**	**3,539,561**
Other comprehensive income / (loss)		-	-
Net comprehensive Income/(loss)		**(122,912,307)**	**68,373,305**

See accompanying notes to the special purpose consolidated financial statements.

Samir

Samir Kalra
Chief Financial Officer

Rahul

Rahul Singh
Vice President - Finance

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ACERO JUNCTION HOLDINGS, INC.
Consolidated Statement of Changes in Shareholders' Equity/(Deficit)
(Currency: US dollars)

Statement of changes in equity

	Common Stock Number of shares	Par value	Additional paid-in capital	Accumulated Deficit	Total shareholders' equity
Balance as at April 1, 2022	100	1	32,735,899	(279,934,303)	(247,198,403)
Loss for the year	-	-	-	(122,912,307)	(122,912,307)
Balance as at March 31, 2023	100	1	32,735,899	(402,846,610)	(370,110,710)

	Common Stock Number of shares	Par value	Additional paid-in capital	Accumulated Deficit	Total shareholders' equity
Balance as at April 1, 2021	100	1	32,735,899	(348,307,608)	(315,571,708)
Loss for the year	-	-	-	68,373,305	68,373,305
Balance as at March 31, 2022	100	1	32,735,899	(279,934,303)	(247,198,403)

See accompanying notes to the special purpose consolidated financial statements.

Samir Kalra
Chief Financial Officer

Rahul Singh
Vice President - Finance

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ACERO JUNCTION HOLDINGS, INC.

Consolidated Cash flow statements

(Currency: US dollars)

	Year ended March 31, 2023	Year ended March 31, 2022
Net Profit/(Loss) after Taxes	(122,912,307)	68,373,305
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,742,302	14,833,538
Allowance for doubtful debt	(38,785)	155,636
Income tax benefit/(expense)	(238,316)	3,539,561
Government grant income recognized / de-recognized on PPP loan	-	3,233,465
Amortized debt issuance cost	1,149,387	639,064
Changes in operating assets and liabilities:		
(Increase)/ Decrease in:		
Accounts receivables	32,885,136	(60,601,157)
Inventories	20,780,101	(104,946,322)
Advances to vendors	(8,212,359)	(1,896,883)
Prepaid expenses and other current assets	1,692,877	(393,487)
Increase/ (Decrease) in:		
Accounts payables	25,562,334	7,009,053
Accrued liabilities	134,809	3,751,680
Employee compensation and benefits	(1,369,245)	2,761,868
Accrued interest on borrowings	2,905,841	1,891,930
Accrued interest on loans from related parties	20,618,709	(29,139,445)
Federal and states taxes payable	(1,745,452)	(1,938,280)
Other current liabilities	(120,055)	1,417,463
Net cash used in operating activities (A)	**(10,165,021)**	**(91,309,011)**
Cash flows from investing activities:		
Purchases of property, plant and equipment	(13,853,967)	(12,595,604)
Purchases of intangibles	(67,207)	(5,932)
Net cash used in investing activities (B)	**(13,921,174)**	**(12,601,536)**
Cash Flows From Financing Activities:		
Repayment of working capital loan / short term debt	(28,793,944)	(50,000,000)
Proceeds from loan from related parties	29,500,000	111,755,000
Repayment of loan from related parties	-	(26,189,161)
Proceeds from working capital loan / short term debt	70,085,130	28,793,944
Proceeds from term loan from bank and bond offering	-	90,000,000
Repayment of term loan from bank and bond offerings	(48,823,697)	(46,444,444)
Payment of upfront borrowing cost	(564,900)	(2,530,766)
Net cash flows from financing activities (C)	**21,402,589**	**105,384,572**
Net increase (decrease) in cash and cash equivalents including restricted cash (A+B+C)	**(2,683,606)**	**1,474,025**
Cash and cash equivalents including restricted cash at beginning of year	3,331,259	1,857,233
Cash and cash equivalents including restricted cash at end of year	**647,651**	**3,331,259**
Supplemental disclosure of cash flow information		
Net cash (used in) provided by operating activites included:		
Interest and other financial costs paid (net of amount capitalised)	11,739,115	30,286,788
Non-cash Investing activities		
Liabilities related to additions of property, plant and equipment	1,995,372	515,175

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ACERO JUNCTION HOLDINGS, INC.

Consolidated Cash flow statements

(Currency: US dollars)

Note : The following table provides a reconciliation of cash and cash equivalents including restricted cash reported within the Balance Sheet that sum to the total of the same such amounts shown in the Statements of Cash Flows.

	Year ended March 31, 2023	Year ended March 31, 2022
Cash and cash equivalents	632,651	517,288
Restricted Cash	15,000	2,813,971
	647,651	**3,331,259**

See accompanying notes to the special purpose consolidated financial statements.

Samir

Samir Kalra
Chief Financial Officer

Rahul

Rahul Singh
Vice President - Finance

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1 Organization and nature of business

Acero Junction Holdings, Inc. (the "Company") has been incorporated in the State of Delaware. The Company owns 100 percent of the Common Stock of JSW Steel USA Ohio, Inc (formerly known as Acero Junction Inc) ('JSW Ohio') which is a corporate incorporated in the State of Ohio. JSW Ohio operates a steel melting, slab casting and hot strip mill facility.

The Company and its subsidiary are hereinafter referred to as 'the Group'. The Company is a wholly owned subsidiary of JSW Steel Limited, incorporated in India ('JSW India' or 'Parent Company').

2 Summary of significant accounting policies

(a) Basis of preparation

The special purpose consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States ("US-GAAP") and are presented in USD. All significant inter-company transactions have been eliminated upon consolidation. These financial statements are prepared for JSW India to comply with the requirement of Regulation 46(2) of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, as amended (the 'LODR') in India and for the purpose of submission to ICICI Bank Limited, Axis Bank Limited, BMO Bank and Mashreq Bank (hereinafter referred to as 'the lenders'). Accordingly, these special purpose consolidated financial statements are special purpose and should not be used for any other purpose.

(b) Use of Estimates

The preparation of financial statements, in conformity with US-GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, accompanying disclosures, and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. Estimates are based upon historical factors, current circumstances and judgement of management. Management evaluates these assumptions and estimates on an ongoing basis and may engage outside subject matter expert to assist in its evaluation. Actual results could differ from other estimates and assumptions.

Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, impairment testing of tangible assets and intangible assets, allowance for doubtful accounts, recoverability of advances, realizability of deferred tax assets, valuation of inventories, income tax uncertainties and other contingencies and commitments.

(c) Revenue Recognition

Revenues are recognized when the Group's performance obligations are satisfied. Generally, the Group's performance obligations are satisfied, control of the products is transferred, and revenue is recognized at a single point in time, when title transfers to the customer for product shipped. Revenues are recorded net of any sales incentives and cash discounts. Shipping and other transportation costs charged to customers are treated as fulfilment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Revenue is generated primarily from contracts to produce, ship and deliver steel products.

In the course of doing business, the Group collects taxes from customers, including but not limited to Commercial Activity Taxes (CAT) wherever applicable. It is the Group's policy to record these taxes on a net basis in the statement of comprehensive income / (loss); therefore, the Group does not include the taxes collected as a component of revenues.

Because customers are invoiced at the time title transfers and the right to consideration is unconditional, the Group does not maintain contract asset balances. Additionally, contract liability balances are not maintained as performance obligations are satisfied prior to customer payment for product.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank, time deposits, certificates of deposits, sweep account and all highly-liquid debt instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Restricted cash

Restricted cash comprises of $15,000 in the operating account with Citizens Bank of Pennsylvania N.A. over which the bank has the lien in for issuing two secured credit cards as purchase card to the Group

(f) Accounts receivables

Accounts receivable are stated net of an allowance for doubtful accounts. The Group maintains an allowance for doubtful accounts based upon estimated losses that could result from a customer's inability to pay for services provided. This allowance is based on a combination of historical losses, aging of receivables and the financial condition of a particular customer. The allowance for doubtful accounts provision is recorded as an element of selling, general and administrative expenses in the period when the collection of such accounts is determined to be doubtful. If, in a subsequent year, the write-off is recovered, the recovery is recognized in the Statement of Comprehensive Income / (Loss).

(g) Inventories

The Group's inventories are comprised primarily of raw materials and finished goods. Inventories are stated at lower of cost or market value and are valued using the weighted average cost method. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include labor costs and manufacturing overheads.

Adjustments, if required, to reduce the cost of inventory to market (net realizable value) are made, for estimated excess, obsolete or impaired balances. Net realizable value considers the projected future sales price of the HR Coil, less applicable selling costs, and, in the case of raw material, estimated remaining processing costs. The Group records any amount required to reduce the carrying value of inventory to net realizable value as a charge to cost of products sold.

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(h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the assets and interest on borrowings during the construction period.

Depreciation expense is computed using the straight-line method over the estimated useful value of the assets. The estimated lives for computing depreciation on plant, property and equipment are as follows:

Buildings and improvements	8-25 years
Machinery and equipment	3-25 years
Furniture and fixtures	5 years
Office equipment	3-5 years
Vehicles	5 years
Computer equipment	3-5 years

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognized net within 'Selling, General and Administrative Expenses' in the Statement of Comprehensive Income / (loss). Advances paid towards the acquisition of property, plant and equipment, outstanding at each reporting date and the cost of property, plant and equipment not ready for use before such date, are disclosed under property, plant and equipment as 'Capital work-in-progress'.

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and cost of the item can be reliably determined. The carrying amount of replaced parts is derecognized. The cost of day-to servicing of property, plant and equipment are recognized in the Statement of Comprehensive Income / (Loss) as incurred.

(i) Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Cost includes expenditure that is directly attributable to the acquisition of the asset. Amortization expense is computed using the straight line method over the estimated useful life of the asset. The Group's intangible asset consists of software with a useful life of three years.

(j) Impairment of Long-Lived Tangible and Definite-Lived Intangible Assets

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be fully recoverable. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the assets to its carrying amount. The Group considers various factors and determines whether an impairment test is necessary, including by way of examples, a significant and prolonged deterioration in operating results and/or projected cash flows, significant changes in the extent or manner in which an asset is used, technological advances with respect to assets which would potentially render them obsolete, our strategy and capital planning, and the economic climate in markets to be served.

The carrying value of property, plant and equipment is assessed for recoverability by management based on analysis of future expected cash flows from the underlying operations of the Group. Management believes there has been no impairment as at March 31, 2023.

(k) Income Taxes

The Group files a consolidated tax return that includes the Company and JSW Ohio, which are not disregarded entities under income tax regulations. Income taxes, including deferred taxes and net operating loss benefits are calculated at a consolidated level, and then allocated to the Company and JSW Ohio based on their relative contributions to the consolidated current and deferred income taxes i.e. the pro rata method. The use of the pro rata method results in the sum of amounts allocated to individual members to be equal to the consolidated amount. Valuation allowances recorded at a consolidated level are allocated amongst the subsidiaries on a systematic basis.

Income taxes are accounted for under the liability method at the consolidated level. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect of deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowance is established when necessary to reduce deferred tax assets to the amounts more-likely-than-not to be realized.

The determination of provision for income taxes requires significant judgement, the use of estimates, and the interpretation and application of complex tax laws. Significant judgement is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions.

Tax positions are evaluated in a two-step process. The Group first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon settlement. The Group classifies any potential accrued interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as operating expense. Management of the Group has not taken a tax position that, if challenged, would be expected to have a material effect on the consolidated financial statements or the effective tax rate for the years ended March 31, 2023. The Group's consolidated federal income tax returns are subject to examination by the Internal Revenue Service with a normal statutory limitation of three years from the date of filing the tax return or the due date whichever is later.

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(l) Fair Value Measurement

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, accounts receivable, advance to vendors, accounts payable, and accrued liabilities approximate carrying value, principally because of the short maturity of those items.

The Group determines fair values based on valuation techniques that maximize the use of observable inputs and minimize assumptions (i.e. unobservable inputs) that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level I Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level II Inputs: Other than quoted prices included in Level I Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level III Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(m) Concentration of Credit Risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist principally of cash and accounts receivable. The Group maintains cash balances at financial institutions, which may at times be in excess of federally-insured levels. The Group has not incurred losses related to these balances to date.

(n) Commitments and contingencies

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(o) Leasing arrangements

The Group follows ASC 840, "Leases", which requires companies to assess the classification of the leases they enter into as either a capital lease or an operating lease. The Group accounts for its operating leases in accordance with the authoritative accounting standard on leases, which requires, among other things, accounting for the straight-line effect of escalating rents during the lease term.

(p) Capitalized Loan Costs

The Group incurred costs to obtain certain loans. These costs have been deferred and are being amortized to financing costs over the life of the related loan arrangement per the SEC Staff Guidance. The deferred financing costs included in the Balance Sheet as at March 31, 2023 are $2,451,580 (As at March 31, 2022 - $3,036,068). The unamortized cost has been shown as a reduction from the borrowings outstanding as at March 31, 2023.

(q) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. A deferred income liability is recognized upon receipt of the forgivable loan, if it is determined that there is reasonable assurance that the Group will meet the conditions for forgiveness of the full loan amount. The deferred income liability would be recognized in income on a systematic and rational basis over the periods in which the entity recognizes as expenses the costs the grant is intended to defray.

3 Recently adopted accounting standards

(a) In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The Group has adopted ASU 2016-02 utilizing the modified retrospective transition method through a cumulative-effect adjustment.

Under topic 842, the Group determine if an arrangement is a lease at inception, ROU assets and liabilities are recognized at commencement date based on the present value of remaining, over the lease term. For this purpose, the Group consider only payments that are fixed and determinable at the time of commencement. As most of the leases do not provide an implicit rate, the Group use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is a hypothetical rate based on understanding of what credit rating would be. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise such option. When determine the probability of exercising such options, the Group consider contract-based, asset-based, and market-based factors. Lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expenses as incurred on the consolidated statements of income. Lease agreement generally do not contain any residual value guarantees or restrictive covenants.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current and operating lease liabilities, non-current on the consolidated balance sheets. Finance leases are included in property, plant and equipment, accrued expenses and other current liabilities, and other liabilities on the consolidated balance sheet.

The Group elected to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payment in the consolidated statements of income on a straight-line basis over the lease term as permitted by the practical expedients under the transition guidance. The adoption did not impact the beginning retained earnings, or prior year consolidated statement of income and statement of cash flows.

3.1 Recently issued accounting pronouncements

(a) In October 2021, the FASB issued Accounting Standards Update 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08). ASU 2021-08 requires that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. ASU 2021-08 is effective to public companies for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption of all amendments in the same period permitted. The Group will apply the guidance prescribed by ASU 2021-08 to business combinations, if any, that take place subsequent to the effective date.

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(b) In September 2022, the FASB issued Accounting Standards Update 2022-04, Disclosure of Supplier Finance Program Obligations (ASU 2022-04). ASU 2022-04 requires that an entity disclose certain information about supplier finance programs used in connection with the purchase of goods and services. ASU 2022-04 is effective for all entities with fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption of all amendments is permitted. The Group will adopt the annual roll forward disclosure requirement in the 2024 Form 10-K.

(Currency: US dollars)

Note 4
Revenue

ASC 606-10-50-5 requires that entities disclose disaggregated revenue information in categories (such as type of good or service, geography, market, type of contract, etc.) that depict how the nature, amount, timing, and uncertainty of revenue and cash flow are affected by economic factors. ASC 606-10-55-89 explains that the extent to which an entity's revenue is disaggregated depends on the facts and circumstances that pertain to the entity's contracts with customers and that some entities may need to use more than one type of category to meet the objective for disaggregating revenue.

The Group generates revenue from sale of flat rolled steel products viz. Hot Rolled Coil (HRC) and Slab to North American customers. HRC is sold primarily to steel processing centers and slabs are sold to it's fellow subsidiary JSW Steel USA, Inc. Generally, the Group's performance obligations are satisfied, when control of products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or when services are provided. Revenues are recorded net of any sales incentives. The following table disaggregates the revenue by product:

Customer Sales by product	Year ended March 31, 2023	Year ended March 31, 2022
HRC	260,756,676	456,223,120
Slabs	250,791,996	181,012,106
	511,548,672	637,235,226

Note 5

Accounts receivables, net of provision	March 31, 2023	March 31, 2022
Accounts receivables	29,548,839	28,079,035
Receivables from related parties	1,530,193	35,952,665
Less: Provision for doubtful receivables	(152,658)	(220,191)
Total	30,926,373	63,811,509

Note 6

Inventories	March 31, 2023	March 31, 2022
Raw material	52,729,429	64,781,411
Semi Finished/Finished Goods	72,035,653	77,405,287
Stores, spares and consumables	5,717,122	9,075,607
Total	130,482,204	151,262,305

Semi finished goods consist of slabs which are used in the production of hot rolled coils. Finished goods consist of hot rolled coils and slabs sold to customers. Raw materials consist of iron & steel scrap, ferro alloy & steel making fluxes.

During the year, the Company recognised an expense of $ 58,975,708 (March 31, 2022 - $ 4,743,502) in cost of sales on account of write down of Inventories.

Note 7

Property, plant and equipment, net of accumulated depreciation	March 31, 2023	March 31, 2022
Land	8,988,702	8,988,702
Buildings and improvements	9,848,059	9,597,996
Machinery and Equipment	215,082,745	205,272,826
Computer Equipment	585,437	585,437
Furniture and Fixtures	350,388	350,388
Vehicles	37,478	37,478
	234,892,808	224,832,827
Less: Accumulated depreciation	(70,110,004)	(51,678,134)
	164,782,805	173,154,693
Capital work-in-progress	7,229,526	3,435,540
Total	172,012,330	176,590,233

Depreciation on property, plant and equipment amounted to $18,431,870 and $14,475,000 for the year ended March 31, 2023 and March 31, 2022 respectively.

Land and building consists of the freehold factory land and building. Land has been carried at historical cost and building have carried at historical costs less accumulated depreciation.

Capital work-in-progress includes advances paid towards the acquisition of property, plant and equipment, outstanding at each reporting date and the cost of property, plant and equipment not ready for use before such date.

During the year, owing to the prolonged shut down of the 80 inch Hot Strip Mill ("HSM"), located at Mingo Junction, the Group reassessed the estimated remaining useful life of HSM and revised the same. The change in useful life resulted in additional depreciation of $5,466,421 for the year ended March 31, 2023.

Note 8

Intangible assets, net of accumulated amortization	March 31, 2023	March 31, 2022
Software	2,210,052	2,142,844
Less: Accumulated amortization	(1,360,565)	(1,050,133)
	849,486	1,092,711
Intangible assets under development	218,993	218,993
Total	1,068,479	1,311,704

Amortization on intangible assets amounting to $310,432 and $358,538 for the year ended March 31, 2023 and for the year ended March 31, 2022 respectively.

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Note 9
Income Taxes

The major components of income tax expense for the years ended March 31, 2023 and March 31, 2022 are as follows:

a) Income Taxes	Year ended March 31, 2023	Year ended March 31, 2022
Current income tax	(238,316)	3,539,561
Deferred tax expense / (benefit)	-	-
Income tax expense reported in the Statement of comprehensive loss	**(238,316)**	**3,539,561**

The tax years ending March 31, 2020 onwards are open to audit by the Internal Revenue Service as per the normal 3 year limitation. The Group is open to various state taxing jurisdictions ranging from 3 to 5 years depending on the state.

b) Tax rate reconciliation

Reconciliation of tax expense and the accounting profit multiplied by United States' statutory tax rate for March 31, 2023 and March 31, 2022:

	Year ended March 31, 2023	Year ended March 31, 2022
Accounting profit/ (loss) before income tax	(123,150,623)	71,912,866
At United States' income tax rate of 21% (March 2022: 21%)	(25,861,631)	15,101,702
Reconciliation items		
1. Valuation allowance changes	34,496,877	(13,092,967)
2. Local Income Tax deductible for Federal Tax Purposes	-	587,172
3. Deferred tax recognised on Ohio State NOL	(8,175,980)	-
4. Others	(697,582)	943,654
Total deferred tax (Income) / expense	**(238,316)**	**3,539,561**

c) Deferred tax assets/ (liabilities)	March 31, 2023	March 31, 2022
Deferred tax assets	106,545,931	74,199,575
Deferred tax liability	11,738,079	13,888,599
Net deferred tax asset	94,807,852	60,310,976
Less: Valuation allowance	(94,807,852)	(60,310,976)
Net non-current deferred tax assets	-	-

d) Significant components of current and deferred taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2023 and March 31, 2022 are presented below:

Deferred Tax Assets	March 31, 2023	March 31, 2022
Net operating losses	88,660,023	63,102,230
Interest accrual for payment to related parties	5,252,745	543,384
Provision for doubtful debts	32,058	46,240
Interest not allowed per provisions of 163(j)	11,518,785	9,509,102
Others	1,082,320	998,619
Total deferred tax assets (a)	**106,545,931**	**74,199,575**
Deferred Tax Liabilities		
Difference between tax base and book base of assets	11,738,079	13,888,599
Gross deferred tax liabilities (b)	**11,738,079**	**13,888,599**
Net deferred tax assets/(Liabilities) (a - b)	**94,807,852**	**60,310,976**
Less: Valuation allowance	(94,807,852)	(60,310,976)
Net deferred tax assets/(Liabilities)	-	-

Note

The Group has $ 383,257,349 of gross U.S. Federal NOL carryforwards and $ 408,798,999 of gross state NOL, resulting in DTA of $ 88,660,023 as of March 31, 2023.

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Note 10
Accounts payables

	March 31, 2023	March 31, 2022
Accounts payables	55,644,804	30,069,226
Payable to related parties	308,186	321,430
Total	55,952,990	30,390,656

Note 11
Borrowings

(a) Short term debt and current maturities of long term debt	March 31, 2023	March 31, 2022
Working capital loan [Refer note (i)]	70,085,130	28,793,944
Notes payable [Refer note (ii)]	74,841	370,083
Current maturities of long term debt [Refer note (b) below]	63,416,667	48,805,556
Total	133,576,638	77,969,583

(i) Working capital loan

Bank	Rate of Interest	Year of maturity	Limits	Availed March 31, 2023	Availed March 31, 2022
BMO Harris - Base rate Loan *	SOFR Rate + 0.75%	Mar-24	CY - 90,000,000	10,085,130	2,793,944
	SOFR Rate + 2.25%		PY - 75,000,000	60,000,000	26,000,000
Total				70,085,130	28,793,944

* Fund based credit facilities with banks, which are available for working capital requirements, are in the form of lines of credit and revolving loans. The Group has entered into line of credit facility with BMO Harris Bank, and the loans have been secured against the current assets of the company.

(ii) Notes payable

Particulars	Rate of Interest	Year of maturity	March 31, 2023	March 31, 2022
Secured against hypothecation of insurance policies	2% - 3% p.a.	Mar-23	74,841	370,083
Total			74,841	370,083

(b) Long-term debt, net unamortized issuance cost

Particulars	Repayment Year	Annual Interest Rate	Year of maturity	March 31, 2023 Carrying value	March 31, 2022 Carrying value
i) Axis bank - Facility A (secured against the Group's fixed assets as on August 17, 2018 and financial guarantee from Parent Company)	Mar-24	Libor + 2.1%	Aug-23	42,500,000	42,500,000
	Mar-23	Libor + 2.1%		-	41,250,000
Subtotal				42,500,000	83,750,000
ii) Term loan from ICICI Bank (secured against financial guarantee from Parent Company)					
48 Months from first date of utilization	Mar-24	Libor + 2.45%	Aug-23	4,250,000	4,250,000
42 months from first date of utilization	Mar-23	Libor + 2.45%	Feb-23	-	4,250,000
36 months from first date of utilization	Mar-23	Libor + 2.45%	Aug-22	-	3,305,556
Subtotal				4,250,000	11,805,556
iii) Term loan from Mashreq (secured against financial guarantee from Parent Company)	Mar-25	Libor + 2.7%	Oct-24	16,666,667	16,666,667
	Mar-25	Libor + 2.7%	Apr-24	16,666,667	16,666,667
	Mar-24	Libor + 2.7%	Oct-23	16,666,666	16,666,666
Subtotal				50,000,000	50,000,000
iv) Municipal Bonds (refer note b.1 below)	Mar-52	3.50%	Dec-51	40,000,000	40,000,000
Subtotal				40,000,000	40,000,000
Total (i+ii+iii+iv)				136,750,000	185,555,556
Less: Unamortized debt issuance cost				(2,451,580)	(3,036,068)
Less: Current maturities of long term debt				(63,416,667)	(48,805,556)
Total long-term debt				70,881,753	133,713,932

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Note:

b.1) During the previous year, the Group had raised long term funds from the municipal bond markets in the USA backed by the guarantee provided by JSW Steel Limited ('the Parent Company'). The Jefferson County Port Authority ("Port Authority") issued special, limited obligations bonds (the "Bonds"), the proceeds of which were extended as a loan to the Group. The Bonds will be repaid out of proceeds from repayment of loan received from the Group and the Bondholders will have no recourse to the Port Authority. The proceeds from the Bonds are to be utilized for the purpose of refinancing/ reimbursing, in whole or in part, the cost of (1) the modernization of an electric arc furnace ("EAF"), consisting of automation and upgrade of the existing EAF of the Group and (2) the caster modernization including the installation of a Level 2 automation system to allow for the production of higher quality steel slabs at the Facility. As at April 01, 2022, the Group had $ 2.8 million out of the proceeds from Bond which was available for utilisation, which have been utilised entirely during the current year.

(c) Loan from Related Party

Particulars	Rate of Interest	Tenure	March 31, 2023	March 31, 2022
JSW Steel Limited	Libor + margin of 4.10% - 6.10%	36 months - 60 months	421,731,269	392,231,269
Paycheck Protection Program loan from JSW Steel Limited (USA), Inc. (refer note c.1 below)	1.00%	5 years	3,102,924	3,102,924
Less: Current maturities of notes payable			(46,903,000)	(58,535,854)
Total Loan from Related Party			**377,931,193**	**336,798,339**

Note:

c.1) Under the Paycheck Protection Program (PPP) created by the federal government under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, eligible small businesses could apply to a US Small Business Administration (SBA) approved lender for a loan. Such loans were eligible for forgiveness in part/ full provided amongst other conditions the applicant maintains specified levels of payroll and employment during the specified period.

During the previous year, JSW Steel (USA) Inc., a related party filed a joint application on behalf of the eligible subsidiaries of JSW Steel Limited and availed a loan of $10 Million under the PPP program. The Group was allocated $3.10 Million as it's share of the PPP loan carrying rate of interest of 1% and term of 5 years.

As at March 31, 2021, the applicants determined that they have fulfilled the conditions for full forgiveness of the loan and accordingly, the Group had recorded its share of such forgiveness of $3.10 million as income for the year ended March 31, 2021 i.e. the period in which the expenses relating to the forgiveness of the loan were incurred. However, in the previous year, the SBA rejected the Group's application for loan forgiveness since per SBA, the Group did not qualify as a small business after considering the employees of the affiliates. Considering the initial rejection by the SBA, the Group has reversed the amount recorded as income in the previous year and recorded corresponding debt.

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Note 12

Financing costs	**Year Ended March 31, 2023**	**Year Ended March 31, 2022**
Interest expenses		
Term loan from bank	5,993,342	4,332,842
Working capital loans	2,833,221	345,766
Municipal bonds	1,409,922	804,088
Loan from/notes payable to related parties	22,511,978	24,040,136
Others	97,134	44,305
	32,845,597	29,567,136
Amortized debt issuance cost	1,149,387	639,064
Bank and processing charges	209,932	26,529
Total	34,204,916	30,232,730

Note 13

Related party disclosures

For the purpose of the consolidated financial statements, a party is related to the Group if the party directly or indirectly controls, or is controlled by or is under common control with the Group, has an interest in the Group that gives it significant influence over the Group, has joint control over the Group or is an associate or a joint venture of the Group.

Related parties and nature of related party relationships:

Nature of relationship	**Name of related parties**
Holding Company	JSW Steel Limited
Subsidiaries of Holding Company with whom transactions have taken place during the year	JSW Steel (USA) Inc.
Other related parties of the Holding Company with whom transactions have taken place during the year	JSW International Tradecorp Pte Ltd Bhushan Power & Steel Limited Jindal Tubular USA LLC JSW Ispat Special Products Ltd Jindal Pipe USA Inc

a) Transaction with related parties		
Particulars	**Year Ended March 31, 2023**	**Year Ended March 31, 2022**
Transactions during the period		
Sale of goods		
JSW Steel (USA) Inc.	223,061,896	175,138,461
Jindal Tubular USA LLC	3,420,345	21,905,419
Jindal Pipe USA Inc	12,104,306	-
Debit notes issued		
JSW Steel (USA) Inc.	-	500,000
Purchase of scrap		
JSW International Tradecorp Pte Ltd	12,531,847	31,946,154
JSW ISPAT	-	11,266,640
Bhushan Power & Steel Limited	33,912,045	30,708,383
JSW Steel (USA) Inc.	11,892,842	13,124,421

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Expenses incurred by related parties on behalf of the Company		
JSW Steel (USA) Inc.	4,515,602	3,352,265
Expenses incurred on behalf of the Group by the Company		
JSW Steel (USA) Inc.	905,841	906,837
Loans/notes payable proceeds		
JSW Steel Limited	29,500,000	111,755,000
JSW International Tradecorp Pte Ltd	-	31,946,154
JSW Ispat Special Products Ltd	-	11,266,640
Bhushan Power & Steel Limited	-	30,708,383
Repayment of loans/notes payable		
JSW Steel Limited	-	26,189,161
JSW International Tradecorp Pte Ltd	-	31,946,154
JSW Ispat Special Products Ltd	-	11,266,640
Bhushan Power & Steel Limited	-	30,708,383
Interest expense on loan taken and notes payable		
JSW Steel Limited	22,425,527	23,015,785
JSW International Tradecorp Pte Ltd	-	500,809
JSW Ispat Special Products Ltd	-	48,612
Bhushan Power & Steel Limited	-	554,510
JSW Steel USA, Inc - PPP Loan	86,451	-
Payment of interest on loans and notes payable		
JSW Steel Limited	-	51,711,831
JSW International Tradecorp Pte Ltd	-	500,809
JSW Ispat Special Products Ltd	-	48,612
Bhushan Power & Steel Limited	-	554,510

b) Balances with related parties

Particulars		
Interest Payable		
JSW Steel Limited	25,013,070	2,587,542
JSW Steel USA, Inc - PPP Loan	86,451	
Accounts payable		
JSW Steel Limited	308,186	321,430
Accounts Receivable		
JSW Steel (USA) Inc.	1,530,193	22,837,737
Jindal Tubular USA LLC	-	13,114,928
Loans/Notes payable		
JSW Steel Limited	421,731,269	392,231,269
JSW Steel (USA), Inc.	3,102,924	3,102,924

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Note 14

Description of rights and privileges of capital stock

The Group has two classes of common stock - Class A and B with identical rights of voting. The distinction in classes was significant for the purposes of electing the directors of the corporation with each class having the right to appoint equal number of directors. JSW India Limited is the sole owner of all the issued stocks of both the classes.

Note 15

Commitments and Contingencies

a) Commitments		March 31, 2023		March 31, 2022
i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	$	6,906,317	$	4,097,665

b) Contingencies

The Group does not have any contingent liabilities as on 31 March 2023

Note 16

Advance with vendor - Non-current

The Group entered into an agreement with a vendor in February 2021 for processing of HRCs from the slabs provided by the Company. As per the terms of the agreement, the Group commited a minimum quantity of slabs to be processed during the term of the agreement and had deposited $10 million as commitment fee with the vendor which will be allowed as a rebate over the term of the agreement on meeting the committed threshold as per the agreement. As at March 31, 2023, the balance of such deposit amounted to $7,000,000 which is represented under "Advance to Vendors" in the Financial Statement for the year.

Note 17

Retirement plan

The Group has a retirement plan pursuant to Section 401(K) of the Internal Revenue Code. Under this plan, the Group contributes 3% of the pay and allowances of every employee irrespective of the employees' contribution. The participants, as defined by the plan, may contribute by deferring a percentage of their compensation, but not in excess of the maximum allowed under the code. Participants are 100% vested with immediate effect.

The Group contributed $711,648 and $615,635 for the periods ended March 31, 2023 and March 31, 2022 respectively. A third-party administrator administers the plan.

Note 18

Healthcare Benefits

The Group provides healthcare benefits to its active full-time workers. The Group uses a third-party commercial insurance carrier to handle the healthcare insurance. The Group payment related to healthcare benefits were $2,418,376 and $2,354,669 for the periods ending March 31, 2023 and March 31, 2022 respectively.

Note 19

The Group has earned a loss of $122,912,307 for the year ended March 31, 2023 (March 31, 2022: Profit of $68,373,305) and has accumulated losses of $ 402,846,610 and a negative net worth of $ 370,110,711 as of year ended March 31, 2023 (March 31, 2022 accumulated losses of $ 279,934,303 and a negative net worth of $ 247,198,403). The Group was acquired in July 2018 by JSW Steel Limited and restarted its steel making facility in 2018-19. The Group is also making further investments in capex to improve its performance. Further, JSW Steel Limited ('Holding Group') has committed to provide continuing financial and operational support to the Group for its continued operation in the foreseeable future. Accordingly, these financial statements are prepared under going concern assumption.

Note 20

Subsequent events

Subsequent events have been evaluated through July 05, 2023, which is the date the consolidated financial statements were available to be issued. As of that date, there were no reportable events other than the events already disclosed above where appropriate.

Note 21

The previous year numbers have been regrouped wherever required to confirm to current year classification.

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