

JSW Steel: 3Q and 9M FY2021 Results

JSW Steel reports its best quarterly EBITDA of ₹5,946 crore

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its results for the Third Quarter and Nine Months ended 31st December, 2020 ("3Q FY2021" or the "Quarter" and "9M FY2021" or the "Nine Months" respectively).

Key highlights for 3Q FY2021:

Standalone Performance:

- Crude Steel production: 4.08 million tonnes, up 6% QoQ
- Saleable Steel sales: 3.90 million tonnes, lower by 5% QoQ
- Revenue from operations: ₹19,239 crore, up by 15% QoQ
- Best quarterly Operating EBITDA: ₹5,633 crore, strong margin of 29.3%
- Net profit after tax: ₹2,829 crore, up 67% QoQ

Consolidated Performance:

- Saleable Steel sales: 3.95 million tonnes, lower by 5% QoQ
- Revenue from operations: ₹21,859 crore, up by 13% QoQ
- Best quarterly Operating EBITDA: ₹5,946 crore, strong margin of 27.2%
- Net profit after tax: ₹2,669 crore, up 67% QoQ
- Reduced net debt by ₹1,099 crore
- Net Debt/ Equity of 1.29x and Net Debt/ EBITDA of 3.53x

Operational Performance 3Q FY2021:

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

Particulars	(million tonnes)					
	3Q FY2021	3Q FY2020	%YOY	9M FY2021	9M FY2020	%YOY
Production: Crude Steel	4.08	4.02	2%	10.89	12.09	-10%
Sales:						
- Rolled: Flat	2.92	2.98	- 2%	8.03	8.22	- 2%
- Rolled: Long	0.91	0.88	4%	2.14	2.66	- 19%
- Semis	0.06	0.18	- 64%	0.64	0.50	28%
Total Saleable Steel	3.90	4.03	- 3%	10.82	11.38	- 5%

There is a swift recovery in economic activity in India following the easing of lockdown restrictions and opening up of the economy. Various high frequency economic indicators are better than the initial expectations pointing to a robust recovery. Growth in passenger vehicles and motorcycle sales, railway freight traffic, and electricity consumption is also strong.

The domestic Steel industry witnessed sharp demand recovery driven by restocking and higher demand from automotive, machinery, construction and infrastructure sectors aided by increased government spending. Specific policy initiatives such as Production linked incentive schemes to encourage manufacturing in India and targeted stimulus packages to the MSME sectors.

On the back of this strong demand environment, JSW Steel improved average capacity utilisation level of ~91% for the quarter vs. ~86% in 2Q FY 2021. Crude Steel Production during the period stood at 4.08 million tonnes and Standalone Saleable Steel sales at 3.90 million tonnes.

The domestic sales volumes stood at 3.48 million tonnes, an increase of 16% QoQ and 13% YoY. The Company calibrated its export volumes to 12% of the total sales at 0.47 million tonnes, in order to service the Indian market. The Company reduced inventories by 0.47 lac tonnes during the quarter and 4.73 lac tonnes during the nine months ended 31st December 2020.

The Company achieved highest ever quarterly domestic volume of sales of Flat products, propelled by strong demand of coated products. The proportion of higher margin Value-added & Special steel sales increased from 51% in 2Q FY2021 to 57% for 3Q FY2021.

The Crude Steel production and standalone saleable steel sales volumes for Nine Months of FY2021 stood at 10.89 million tonnes and 10.82 million tonnes respectively. The Company is on course to meet the annual guidance of 15 million tonnes of saleable steel sales, however it is expected that crude steel production guidance achievement will be ~95% mainly due to constraints on Iron ore availability in the country.

Standalone Performance:

The Company's Revenue from Operations stood at ₹19,239 crore, up 15% QoQ on improvement in sales realization in the domestic market and higher value-added steel volumes. The Spreads improved due to favourable change in geographical mix, product mix further supported by better realisations.

The enhanced spreads resulted in higher EBITDA margin of 29.3% vs. 24.9% in 2Q FY2021. Operating EBITDA for the quarter stood at ₹5,633 crore, up 35% QoQ and 111% YoY. The company reported Net Profit after Tax of ₹2,829 crore for the quarter.

The Company's net gearing (Net Debt to Equity) stood at 0.97x at the end of the quarter (as against 1.19x at the end of 2Q FY2021) and Net Debt to EBITDA stood at 2.86x (as against 4.14x at the end of 2Q FY2021).

Subsidiaries' Performance 3Q FY2021:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume of 0.47 million tons and total sales volume of 0.61 million tonnes. Revenue from operations and Operating EBITDA for the quarter stood at ₹4,182 crore and ₹397 crore respectively. It reported a Net profit after Tax of ₹269 crore for the quarter.

US Plate and Pipe Mill, Texas:

The US based Plate and Pipe Mill in Texas facility is under planned shutdown. Sales volumes for the quarter stood at 18,183 net tonnes of Plates and 150 net tonnes of Pipes. It reported an EBITDA loss of US\$ 8.45 million for the quarter.

JSW Steel USA Ohio Inc. (Acero):

The US based HR coil manufacturing facility has idled the operations to undertake a furnace upgradation project during the quarter. Sales volumes for the quarter stood at 10,892 net tonnes. EBITDA loss for the quarter was US\$ 21.26 million.

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

The Italy based Rolled long products manufacturing facility produced 84,063 tonnes and sold 83,994 tonnes of various steel products during the quarter. It reported an EBITDA loss of Euro 0.52 million for the quarter.

Consolidated Financial Performance 3Q FY2021:

Saleable Steel sales for the quarter were at 3.95 million tonnes.

Revenue from operations stood at ₹21,859 crore for the quarter with Operating EBITDA at ₹5,946 crore. The Net profit after tax for the quarter was ₹2,669 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The Company reduced Net Debt by ₹1,099 crore in the quarter. Consolidated Net gearing (Net Debt to Equity) stood at 1.29x at the end of the quarter (as against 1.43x at the end of 2Q FY2021) and Net Debt to EBITDA was at 3.53x (as against 4.73x at the end of 2Q FY2021).

Captive Iron Ore Mining

The Company has commenced production from the last of the three recently acquired mines in Karnataka on 10th Dec.'2020. With this, all nine mines of Karnataka are operational. Mining operations at the four mining blocks at Odisha ramped up production and dispatches.

Overall volume from captive mines in third quarter constituted 49% of iron ore receipts of the company.



M&A update:

Pursuant to the Corporate Insolvency Resolution process under the Insolvency and Bankruptcy Code, 2016, the Resolution Plan submitted by JSW Steel Coated Products Limited, a wholly owned subsidiary of the Company, for acquiring Asian Colour Coated Ispat Limited ("ACCIL") has been approved with certain modifications by the Hon'ble National Company Law Tribunal, New Delhi ("NCLT") on 19 October 2020. The Company completed the acquisition of ACCIL through its wholly owned subsidiary Hasuad Steel Limited on 27 October 2020.

ACCIL manufactures downstream steel products and has two manufacturing units located at Khapoli, Maharashtra and Bawal, Haryana.

Key Projects update:

During 4Q FY2021, the Company is scheduled to commence commissioning of several of its other projects.

Dolvi: The expansion project at Dovi from 5 MTPA to 10 MTPA steel making capacity is nearing completion, with majority of operations to be commissioned in the current quarter. Full integrated operations and stabilization will take place in 1Q FY2022. The project has been affected by travel and visa restrictions for technicians from global capital equipment vendors, and the Company has been trying to overcome this with a combination of physical and digital assistance from Vendors/Suppliers of Equipment/technology.

Vijaynagar: CRM-1 complex capacity expansion: one out of two Continuous Galvanising Lines (CGL) has been commissioned, and the second will be commissioned by 1Q FY2022. The 8 MTPA Pellet plant is under commissioning, with heating in progress.

Vasind and Tarapur: All expansions (except 0.45 MTPA CGL at Vasind) are under commissioning, and will be fully commissioned by March 2021. The 0.45 MTPA CGL is to be commissioned in 1Q FY2022.

Other projects are progressing well.

Global Outlook

CY21 Global GDP is expected to increase by 4%, supported by policy measures by governments and central banks. The expected recovery in 2021 will be influenced by the effective pace of vaccination. The US economy continued to show resilience in the midst of the pandemic, with the accommodative monetary policy and fiscal stimulus underpinning the growth outlook.

Fresh Covid-19 outbreaks across Europe and Japan may lead to slower than expected recovery. However, business sentiment in EU in the manufacturing sector is relatively strong. The start of the vaccination campaigns should aid in improving trade and consumption, which bodes well for economic growth outlook.

China's Q4 CY20 GDP growth of 6.5% reflects strong economic rebound. The outlook is positive for broad-based growth across investment, manufacturing and services.

Re-emergence and mutations of the virus, and slower than expected pace of vaccination pose risks to the global growth outlook.

India Outlook

India's PMI and IIP rebounded as Q3'21 saw continued and broadening recovery with further easing of restrictions on mobility in India. Commencement of vaccination and declining cases are expected to sustain recovery. The trend of increasing monthly imports and higher labour-intensive exports (textiles, leather, gems) signify economic recovery.

There has been a strong growth in the automotive sector, notably in PV and 2-wheelers, and tractors due to strong rural demand. The recovery in residential real estate and continued traction in commercial real estate is a bright spot, with scope for structural revival of the sector.

The Government thrust on National Infrastructure Pipeline (roads, urban housing, railways and power) is likely to support recovery in GFCF cycle and India is well-placed to benefit from realignment of global supply chains and "China+1" approach of MNC's. The Production-Linked Incentive scheme launched by Government to promote select sectors (10 sectors), create champions in each sector to boost manufacturing.

The RBI stance is expected to be accommodative as CPI inflation declined sharply in December to a 14-month low of 4.6% as food prices fell.

Indian steel demand has picked up well on the back of the strong economic momentum. Domestic steel mills have significantly reduced exports, to cater to this increased demand, and steel imports have increased sharply recently.

The declining Covid cases in India and supportive fiscal and monetary policies bode well for stronger growth.

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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