

Financial Performance for Fourth Quarter and Annual FY 2019-20

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its results for the Fourth Quarter and the Financial Year ended 31st March, 2020 (“4Q FY2020” or the “Quarter” and “FY2020” or the “Year”).

Key highlights for 4Q FY2020:**Standalone Performance:**

- Crude Steel production: 3.97 million tonnes
- Saleable Steel sales: 3.70 million tonnes
- Revenue from operations: ₹15,277 crores
- Operating EBITDA: ₹3,220 crores
- Net profit after tax: ₹242 crores

Consolidated Performance:

- Revenue from operations: ₹17,887 crores
- Operating EBITDA: ₹2,975 crores
- Net profit after tax: ₹188 crores
- Net Debt to Equity : 1.48x and Net Debt to EBITDA : 4.50x

Key highlights for the year FY2020:**Standalone Performance:**

- Crude Steel production: 16.06 million tonnes, lower by 4% YoY
- Saleable Steel sales: 15.08 million tonnes, lower by 4% YoY
- Revenue from operations: ₹64,262 crores, lower by 17%YoY
- Operating EBITDA: ₹12,517 crores, lower by 32%YoY
- Net profit after tax: ₹5,291 crores, lower by 35% YoY

Consolidated Performance:

- Revenue from operations: ₹73,326 crores, lower by 13%YoY
- Operating EBITDA: ₹11,873 crores, lower by 37%YoY
- Net profit after tax: ₹3,919 crores, lower by 48% YoY
- Net Debt to Equity : 1.48x and Net Debt to EBITDA : 4.50x

The fourth quarter performance of the Company was marked by the emergence of the Covid-19 pandemic and measures to curb its rapid spread. The Indian economy was severely impacted by the temporary closure of economic activities across the country after the announcement of the first phase of nationwide lockdown in the last week of March 2020. With a significant supply chain disruption and with a view to ensure safety of workforce across all areas of operations, the Company scaled down / suspended production across all facilities around this time period.

Operational Performance 4Q FY2020:

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

Particulars	(Million tonnes)					
	4Q FY2020	4Q FY2019	%YOY Growth	FY2020	FY2019	%YOY Growth
Production: Crude Steel	3.97	4.17	-5%	16.06	16.69	-4%
Sales:						
- Rolled: Flat	2.70	3.08	-12%	10.92	11.29	-3%
- Rolled: Long	0.86	1.04	-17%	3.52	3.69	-5%
- Semis	0.13	0.18	-26%	0.63	0.78	-19%
Total Saleable Steel Sales	3.70	4.29	-14%	15.08	15.76	-4%

Standalone Performance 4QFY2020:

The Company reported Crude Steel Production of 3.97 Million tonnes, which was lower by 5% YoY. Saleable Steel sales for the quarter was 3.70 Million tonnes, lower by 14% YoY.

The Company's revenue from operations decreased by 23% YoY to ₹15,277 crores, due to lower volumes as well as 9% YoY decline in realization. Lower costs of key raw materials like iron ore and coal helped to partially offset the negative impact on margins. As a result, operating EBITDA for the quarter stood at ₹3,220 crores and EBITDA margin stood at 21.1%.

During the quarter, the Company has made an impairment provision of ₹1,309 crores as detailed below:

1. ₹852 crores towards diminution in value of investments, and loans and interest thereon relating to certain overseas subsidiaries. The provisions have been recognized based on increased uncertainty in restarting the Iron ore mining operations at Chile on account of COVID 19 outbreak.
2. ₹377 crores for interest receivable from an overseas subsidiary considered doubtful recovery relating to Baytown operations in US, and
3. ₹80 crores towards retirement of certain fixed assets in India.

The company reported net profit after tax of ₹242 crores for the quarter.

The Company's net gearing (Net Debt to Equity) stood at 1.23x at the end of the quarter (as against 1.15x at the end of Q3 FY2020) and Net Debt to EBITDA stood at 3.78x (as against 3.23x at the end of Q3 FY2020).

Subsidiaries' Performance 4QFY2020:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume of 0.44 million tons and sales volume of 0.47 million tonnes. Revenue from operations and

Operating EBITDA for the quarter stood at ₹2,915 crores and ₹91 crores respectively. It reported a Net Profit after Tax of ₹19 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 63,528 net tonnes of Plates and 15,193 net tonnes of Pipes, reporting a capacity utilization of 27% and 11%, respectively, during the quarter. Sales volumes for the quarter stood at 55,274 net tonnes of Plates and 27,534 net tonnes of Pipes. It reported an EBITDA Loss of US \$9.90 million for the quarter.

JSW Steel USA Ohio Inc (Acero):

The US based HR coil manufacturing facility produced 73,138 net tonnes of HRC during the quarter. Sales volumes for the quarter stood at 72,888 net tonnes. It reported an EBITDA loss of US \$20.19 million for the quarter.

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

The Italy based Rolled long products manufacturing facility produced 113,244 tonnes and Sold 127,961 tonnes during the quarter. It reported an EBITDA loss of 10.91 million Euros for the quarter.

Consolidated Financial Performance 4QFY2020:

Saleable Steel sales for the quarter stood at 3.65 Million tonnes, down by 15% YoY. Domestic sales were lower by 5% YoY; however, it increased by 3% QoQ. Sales to Auto customers has increased by 8% QoQ and total OEM sales was higher by 12% QoQ. Exports sales at 0.46 million tonnes was lower by 51% YoY and QoQ both. Sales to Appliance sector has increased 37% YoY and 43% QoQ.

Revenue from operations decreased by 20% YoY to ₹17,887 crores for the quarter. Operating EBITDA reported was ₹2,975 crores with EBITDA margin of 16.6%.

The Company has provided an impairment provision of ₹725 crores for the Iron ore mining operations at Chile and ₹80 crores towards retirement of certain fixed assets in India in its consolidated results. The Net Profit after Tax for the quarter was ₹188 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The Company's consolidated Net gearing (Net Debt to Equity) stood at 1.48x at the end of the quarter (as against 1.35x at the end of 3Q FY2020) and Net Debt to EBITDA stood at 4.50x (as against 3.71x at the end of 3Q FY2020).

Annual Performance FY2019-20

FY2019-20 turned out to be a year of two halves for the steel industry - with a weakened demand and subdued pricing environment in the first half of the year, and an improving business and consumer sentiment, with higher demand and pricing, during the second half of the year, deflated largely by the impact of COVID-19, especially, towards the end of March 2020.

In this backdrop, the Company reported Crude Steel production of 16.06 million tonnes for FY2020, lower by 4% YoY, as the average capacity utilization levels reached 89%.

Despite all the macroeconomic headwinds and operational challenges, the company has achieved 97.3% of its crude steel production guidance of 16.50 MTPA for FY2020.

Saleable Steel sales volumes for the year stood at 15.08 million tonnes, lower by 4% YoY, achieving 97.3% of its guidance of 15.5 MTPA. Consolidated sales volume stood at 14.90 million tonnes, lower by 4% YoY (of 15.6 million tonnes).

Sales of value added and special products (VASP) accounted for 48% of total sales volumes for the year. Branded products sales stood at 49% of the total retail sales. The Company exported 3.12 million tonnes of steel in FY2020, an increase of 30% YoY and exports accounted for 21% of total sales (compared to 15% in FY2019).

Impact of COVID-19

The Government of India permitted certain additional activities from 20 April 2020 in non-containment zones, subject to requisite approvals as may be required. The Company could secure the requisite approvals and has accordingly commenced operations at all facilities since the last week of April.

While the Company is making efforts to gradually ramp up capacity utilisation, the domestic demand outlook is expected to remain subdued in the near term as a vast majority of customers across automotive, construction, engineering and capital goods, etc. also will take time to resume operations and increase activity levels. Consequently, the Company initially intends to focus more on the export markets in order to improve utilization, defray fixed costs over a higher base, generate cash flows and liquidate stocks.

The Company is working on multiple initiatives to combat the impact of economic slowdown due to COVID-19

- Ramp up capacity utilization to resume near-normal run rates by exit of 1QFY2021
- Focus on exports to increase volumes, including liquidation of inventory, to offset the loss of volumes in domestic market and improve cash flows
- Targeted cost saving measures to recalibrate the cost base across all areas of operations, and leveraging on technology and digitalization to drive value
- Conserve and broaden additional liquidity lines

Projects and Capex update:

In October 2019, the Company had revised down the planned capex spend for FY2020 to ₹11,000 Crore (from ₹15,700 crore announced in May 2019). The actual cash spend for FY2020 stood at about ₹10,200 Crore.

The company has undertaken a detailed exercise to prioritise all planned and discretionary spends with a twin objective of conserving liquidity, and to ensure that key ongoing strategic projects which are in advanced stages of completion are completed and commissioned on priority - so that the benefits and cash flows from these projects can accrue sooner.

Due to the lockdown announced by the Government, and its subsequent extensions to contain the spread of Covid-19, project activity at various sites were severely constrained due to a slew of restrictions. All sites are impacted due to non-availability of required manpower and material due to restrictions on movement.

At Dolvi works, requisite permission to restart the project activities was received towards end of April 20 and resource mobilization started thereafter. However, with a number of

workers employed by our contractors beginning to go back to their homes, with low visibility of when this trend is likely to reverse, there is an imminent challenge. Further, the non-availability of foreign experts (from our technology and equipment suppliers) due to international travel restrictions is also impacting the commissioning schedule. The Company is working on mitigation plans to overcome these challenges.

In view of the above, the expansion of crude steel capacity at Dolvi works from 5 MTPA to 10 MTPA along with the Captive Power Plant and Coke Oven Phase 2 is likely to get delayed into the second half of FY2021.

The 8 MTPA Pellet Plant and the Wire Rod Mill at Vijayanagar are expected to be commissioned in Q2FY21. The CRM1 complex capacity expansion at Vijayanagar from 0.85 MTPA to 1.80 MTPA is expected to be commissioned progressively in Q2 and Q3 of FY 21.

The downstream modernisation cum-capacity enhancement projects at Vasind and Tarapur and the Colour coating line at Kalmeshwar are now expected to be commissioned in the second half of FY21.

The company has therefore reduced planned Capex for FY2021 on these ongoing projects to about ₹8,200 crores.

Additionally, during FY2020, the Company emerged as a preferred bidder for 7 more Iron Ore mines in the auctions conducted by the states of Karnataka and Odisha. The Company envisages an additional capex spend of about ₹800 crores towards various payments to operationalize these mines (excluding about ₹1,200 crores towards upfront payment that will be set-off / recovered from the premium payment to be made for the iron ore that will be extracted from these mines).

Consequently, the total planned Capex spend for FY2021 is revised to about ₹9,000 crores (from the earlier guidance of ₹16,340 crores).

Dividend:

The Board has recommended dividend at ₹2.00 per equity share on the 2,41,72,20,440 equity shares of ₹1 each for the year ended March 31, 2020, subject to the approval of the Members at the ensuing Annual General Meeting.

The total outflow on account of equity dividend including corporate tax on dividend will be ₹483 crores, vis-a-vis ₹1,195 crores paid for FY2019.

Guidance for FY2021:

The guidance for FY2020-21 is given below, which translates into average capacity utilization of 89% :

Particulars	FY'20 (Actual)	FY'21 (Estimated)
Crude Steel Production (million tonnes)	16.06	16.00
Saleable Steel Sales (million tonnes)	15.08	15.00

Outlook

The outbreak of Coronavirus (COVID-19) pandemic globally and in India is causing a significant disruption and slowdown of economic activity. Measures taken to contain the

spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services-and the uncertainty associated with the lifting or reimposition of these restrictions, have further aggravated the business environment.

As a result, the IMF expects the global economy to contract sharply by 3% in CY2020, in a baseline scenario, which assumes that the pandemic fades in the second half of CY2020 and containment efforts can be gradually unwound. The IMF expects the global economy to grow by 5.8 percent in CY2021 as economic activity normalizes, helped by policy support by way of fiscal and monetary stimulus.

The recent PMI and IP prints unsurprisingly reflect plummeting economic activity across the US, EU and Japan. In China, economic activities are picking up from April onwards due to timely (and expected) fiscal and monetary measures which bodes well for the outlook for remainder of 2020. The synchronised policy measures across the globe, with about US\$ 19 trillion (G-20 countries) of announcements (both monetary and fiscal), is expected to aid economic recovery. The partial lifting of lockdown restrictions is underway, and a possible re-emergence of contagion in such areas pose risks to the outlook.

The Government of India announced a nationwide lockdown from 25th March 2020 to prevent a community spread of the pandemic resulting in a significant reduction in economic activities. Most of the business operations are impacted by way of interruption in production, supply chain disruption, unavailability of workmen, closure / unavailability of various services etc.

The phased easing of restrictions augurs well for the economic revival. Further India unleashed policy stimulus equivalent to 10% of GDP or INR 20 trillion consisting of the following measures

- Monetary measures of rate cuts, liquidity support through OMOs, LTROs and TLTROs
- INR1.7 trillion support for the vulnerable section of the society in the form of direct cash transfer and basic food security
- Substantial liquidity injection and favorable business environment for the MSMEs
- Impetus on the rural economy as measures are directly focused on increasing income and consumption
- Structural reforms in the mining and manufacturing sector

Workforce remobilization will be a key challenge for the core sectors of the economy. However, lower energy prices and expectations of a normal monsoon are positive for consumption outlook. With this a gradual recovery in economic activities is expected in the second half of FY 21.

Indian Crude steel production declined 1.5% during the year and finished steel consumption grew by 1.4% in FY20. While there are headwinds in the domestic markets, but the likely supply side adjustments and elevated levels of exports should partially mitigate the weaker domestic demand. A gradual recovery in domestic demand is expected in the second half of FY2021.

India's annual consumption of steel is now 100mt. Given the large market size it attracts steel tonnages from various countries notably FTA nations (South Korea, Japan, ASEAN). Currently about 64% of steel imports originates from the FTA countries where the import duty is nil. This is a source of risk to the health of domestic steel industry necessitating close monitoring and effective remedial measures.

About JSW Steel Ltd.: JSW Steel Ltd. is the flagship company of the diversified US\$ 13 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 foremost integrated steel company in India with an installed capacity of 18 MTPA, and has plans to scale it up in India and overseas. 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, automobile, appliances and other sectors. JSW Steel Ltd. has been widely recognised for its business and operational excellence. Key awards include Deming Prize for Total Quality Management at Vijayanagar (2018), DJSI RobecoSAM Sustainability Industry Mover Award (2018) among others.

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.

Media contact:

JSW Group Corporate Communications

Frederick Castro

Mithun Roy

Mobile: +91 99206 65176

Mobile: +91 98190 00967

Email: frederick.castro@jsw.in

Email: mithun.roy@jsw.in

SESHAGIRI
RAO
METLAPALLI
I VENKATA
SATYA

Digitally signed
by SESHAGIRI
RAO METLAPALLI
VENKATA SATYA
Date: 2020.05.22
15:01:13 +05'30'