

Financial Performance for First Quarter FY 2020-21

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its results for the First Quarter ended 30th June, 2020 (“1Q FY2021” or the “Quarter”).

Key highlights for 1Q FY2021:**Standalone Performance:**

- Crude Steel production: 2.96 million tonnes
- Saleable Steel sales: 2.80 million tonnes
- Revenue from operations: ₹10,293 crores
- Operating EBITDA: ₹1,429 crores
- Net profit/(Loss) after tax: (₹146) crores

Consolidated Performance:

- Revenue from operations: ₹11,782 crores
- Operating EBITDA: ₹1,341 crores
- Net profit/(loss) after tax: (₹582) crores
- Net Debt to Equity : 1.54x and Net Debt to EBITDA : 5.74x

The COVID-19 outbreak and measures to contain it caused an abrupt disruption and slow down of economic activity. With significant supply chain constraints, shortage of workforce and with a view to ensure safety across all areas of operations, the Company scaled down/suspended operations towards the end of March 2020. The Company diligently instituted appropriate operating protocols to comply with all safety and social distancing requirements, secured necessary approvals from local authorities, and was able to commence operations across all locations towards the end of April 2020. Since then, operations have gradually been ramped up, and for the months of May and June our facilities operated at an average capacity utilization of 80%.

The first quarter was marked by formidable challenges of disrupted supply chains, unparalleled drop in demand and activity levels in the domestic markets, uncertainty in seamless inbound and outbound logistics movement, and liquidity constraints. The Company undertook multiple initiatives to improve efficiencies by leveraging on technological and digitalisation tools, reducing fixed cost base, optimizing procurement costs, conserving liquidity, and ramping up sales and marketing efforts to find new markets and customers to remain competitive.

Operational Performance 1Q FY2021:

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

Particulars	(Million tonnes)		
	1Q FY2021	4Q FY2020	1Q FY2020
Production: Crude Steel	2.96	3.97	4.24
Saleable Steel:			
- Rolled: Flat	1.99	2.70	2.67
- Rolled: Long	0.46	0.86	0.93
- Semis	0.35	0.13	0.15
Total Sales	2.80	3.70	3.75

Standalone Performance:

Notwithstanding a challenging operating environment, the Company reported Crude Steel Production of 2.96 Million tonnes, with average capacity utilization of ~66% for the quarter – as compared to an average utilization of 46% for the Indian steel industry.

Saleable Steel sales for the quarter was 2.80 Million tonnes. While the decline in India's crude steel production was 41% QoQ, the Company's crude steel production declined by 25% QoQ.

As the domestic demand was subdued, the Company strategically focused on the export markets to liquidate inventory and generate cash flows. The Company achieved a sales volume of 2.80 Million tons and export sales accounted for 53% of total sales volume. Domestic sales volume continued to improve in the months of May and June, signaling a gradual revival of economic activities within the country.

The Company's revenue from operations stood at ₹10,293 crores. Average realisation during the quarter was impacted by lower steel prices and adverse product and market mix. Lower costs of iron ore and other operating expenses partially offset the drag on margins caused by weaker operating leverage and lower realisations. As a result, operating EBITDA for the quarter stood at ₹1,429 crores and EBITDA margin stood at 13.9%. The company reported net loss after tax of ₹146 crores for the quarter.

The Company's net gearing (Net Debt to Equity) stood at 1.26x at the end of the quarter (as against 1.23x at the end of 4Q FY2020) and Net Debt to EBITDA stood at 4.77x (as against 3.78x at the end of 4Q FY2020).

Subsidiaries' Performance 1Q FY2021:

JSW Steel Coated Products:

During the quarter, JSW Steel Coated Products registered a production volume of 0.30 million tons and sales volume of 0.33 million tonnes. Revenue from operations and Operating EBITDA for the quarter stood at ₹2,049 crores and ₹28 crores respectively. It reported a Net loss after Tax of ₹31 crores for the quarter.

US Plate and Pipe Mill:

The US based Plate and Pipe Mill facility produced 57,035 net tonnes of Plates and 4,175 net tonnes of Pipes, reporting a capacity utilization of 23% and 3%, respectively, during the quarter. Sales volumes for the quarter stood at 53,210 net tonnes of Plates and 4,611 net tonnes of Pipes. It reported an EBITDA Loss of US\$ 11.4 million for the quarter.

JSW Steel USA Ohio Inc. (Acero):

The US based HR coil manufacturing facility produced 26,954 net tonnes of HRC during the quarter. Sales volumes for the quarter stood at 48,865 net tonnes. It reported an EBITDA loss of US \$12.54 million for the quarter. Recently, the Company has temporarily idled the operations at Ohio to undertake a furnace upgrade project which will improve reliability of equipment and lower conversion costs.

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

The Italy based Rolled long products manufacturing facility produced 85,131 tonnes and Sold 91,712 tonnes during the quarter. It reported an EBITDA loss of Euro 7 million for the quarter.

Consolidated Financial Performance 1Q FY2021:

Saleable Steel sales for the quarter stood at 2.79 million tonnes. The company enhanced exports to offset the loss of volumes in domestic market, liquidate inventory and improve cash flows. Export sales stood at 1.58 million for the quarter, a record high, with Domestic sales at 1.21 million tonnes.

Revenue from operations stood at ₹11,782 crores for the quarter. Consolidated Operating EBITDA stood at ₹1,341 crores with EBITDA margin of 11.4%. The Net Loss after Tax for the quarter was ₹582 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

The Company's consolidated Net gearing (Net Debt to Equity) stood at 1.54x at the end of the quarter (as against 1.48x at the end of 4Q FY2020) and Net Debt to EBITDA stood at 5.74x (as against 4.50x at the end of 4Q FY2020).

Odisha Iron Ore Mining Update

The Company was declared as the "Preferred Bidder" for four iron ore mines in the State of Odisha, in the Auctions held in February 2020, with iron ore reserves of around 1,100 Mn tons. The Government of Odisha issued vesting orders in respect of these four mining blocks viz: -Nuagaon, Narayanposhi, Jajang and Ganua, by virtue of which all valid rights, approvals, clearances, licenses and the like vested with the previous Lessee(s) have been deemed to have been acquired by the Company. The Company signed the Mine Development and Production agreement(s) for all the four blocks and executed the lease deed(s) with Govt. of Odisha after complying with all regulatory aspects.

The Company commenced mining operations at all the above said blocks from 1st July 2020 and despatches of iron ore have recently started.

Projects and Capex update:

Project execution at all locations is ramping up slowly as the workforce availability is gradually improving.

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 commissioned in the second half of FY 2021.

The 8 MTPA Pellet Plant and the Wire Rod Mill at Vijayanagar are expected to be commissioned in 2Q FY2021. The CRM1 complex capacity expansion at Vijayanagar from 0.85 MTPA to 1.80 MTPA is expected to be commissioned progressively in 2Q and 3Q of FY 2021.

The downstream modernisation cum-capacity enhancement projects at Vasind and Tarapur and the Colour coating line at Kalmeshwar are expected to be commissioned in the second half of FY 2021.

During the quarter, the company spent about ₹2,369 crores for capex, against a total planned capex spend of ₹9,000 crores for FY2021.

Outlook

The IMF expects global GDP to contract by 4.9% in CY2020, with downside risks, amidst higher-than-usual degree of uncertainty. Global growth is expected to rebound and increase to 5.4% in CY2021 on the back of swift policy measures.

The recent PMI and IP prints of the US, EU and Japan reflect improving business and consumer sentiments from the recent slump, which bodes well for a gradual economic recovery. In China, 2Q CY2020 GDP of 3.2% reflects that economic growth is gaining momentum. Recovery in investment and services during recent months has been stronger than anticipated.

The synchronised policy measures across the globe have somewhat limited the impact of the economic fall out in the near term and the Central banks are expected to maintain an accommodative stance supplemented with fiscal policies of the government, to aid gradual economic recovery. Possible re-emergence of the contagion inducing localised

lockdowns pose downside risks to the outlook, while any positive developments on vaccine or medical solution pertaining to the pandemic will pose upside risks.

In India, economic activities are picking up across the board, reflecting improved business sentiment on the back of easing of lockdown restrictions. Large pockets of activity/industries are heading towards gradual stabilization. However, localized lockdowns driven by the resurgence of COVID-19 cases remains a key risk to sustain the pace of recovery.

The rural economy is holding up well, aided by limited pandemic impact (vs urban areas), good monsoon, and a large part of stimulus measures directly focused on increasing rural income and consumption.

Lower crude oil prices, a favorable trade balance, ongoing normal monsoon and accommodative stance of the central bank are key positives for the economy. India is well placed to reap benefits from global supply chain realignments currently underway.

Workforce remobilization and constrained liquidity remain key challenges for the core sectors of the economy, even though there are signs of returning labor force driven by aspirations of higher income.

Overall, targeted access to credit and liquidity, favourable policies, and measures to support global supply chain realignments are likely to aid steady domestic economic recovery, notably from the second half of FY2021.

Indian Crude steel production declined by 41.6% YoY during the quarter and finished steel consumption was lower by 55% YoY due to a nationwide lockdown in the month of April and subsequent gradual relaxations in May. While domestic demand remained subdued during 1Q FY2021, India emerged as a major steel exporter with export volumes of 5.54 million tonnes during the quarter, implying a 3x increase over the same period last year.

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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