

Financial Performance for First Quarter FY 2021-22

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its results for the First Quarter ended 30th June, 2021 (“Q1 FY2022” or the “Quarter”).

Key Highlights for Q1 FY2022:**Standalone Performance:**

- Crude Steel production: 4.10 million tonnes
- Saleable Steel sales: 3.61 million tonnes
- Highest ever quarterly Revenue from Operations: ₹25,959 crores
- Highest ever quarterly Operating EBITDA: ₹9,491 crores
- Highest ever quarterly Net profit/(Loss) after Tax: ₹5,258 crores

Consolidated Performance:

- Highest ever quarterly Revenue from Operations: ₹28,902 crores
- Highest ever quarterly Operating EBITDA: ₹10,274 crores
- Highest ever quarterly Net Profit after Tax: ₹5,900 crores
- Net Debt to Equity : 1.04x and Net Debt to EBITDA : 1.89x

India was impacted by a second wave of the pandemic during April and May 2021, with cases declining sharply from the month of June. The decline in cases, with an aggressive vaccination push has brightened the near-term prospects of the Indian economy.

During the second wave of Covid, JSW Steel ramped up various support and relief measures to help the communities and the nation. The Company swiftly set up a 1,000-bed jumbo hospital in Vijayanagar and 500-bed hospital in Dolvi, with all beds having oxygen availability. JSW Steel has also been at the forefront in supplying Liquid Medical Oxygen (LMO), with over 65,000 tonnes of oxygen supplied from the steel making facilities during Q1 FY2022. The company was supplying as much as 1,200 tons of oxygen per day at the peak of the crisis, being one of the largest suppliers of Liquid Medical Oxygen in the country.

Operational Performance Q1 FY2022:

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

Particulars	(million tonnes)				
	Q1 FY2022	4Q FY2021	Growth QoQ	Q1 FY2021	Growth YoY
Production: Crude Steel	4.10	4.19	-2%	2.96	+39%
Sales of Saleable Steel:					
- Rolled: Flat	2.67	2.97	-10%	1.99	+34%
- Rolled: Long	0.84	1.00	-17%	0.46	+83%
- Semis	0.10	0.09	+17%	0.35	-71%
Total Sales	3.61	4.06	-11%	2.80	+29%

Standalone Performance:

JSW Steel reported Crude Steel Production of 4.10 million tonnes, with average capacity utilization of 91% for the quarter, a marginal decline of 2% over Q4 FY2021 due to diversion of liquid oxygen for medical purposes during the second wave of Covid.

Sales of Saleable Steel for the quarter was 3.61 million tonnes, lower by 11% QoQ, impacted by lower domestic demand due to the severe second wave, especially in the southern and western regions of India. Exports however increased by 9% QoQ boosted by robust demand on the back of the ongoing recovery in the global economy. On a YoY basis, sales volume increased by 29%, as Q1 FY2021 was severely impacted by the Covid-related lockdown. JSW Steel's domestic automotive sales increased by ~5x YoY, while domestic automotive production grew by ~3x YoY in the country.

The Company registered its highest ever quarterly Revenue from Operations at ₹25,959 crores, an increase of 6% QoQ led by higher steel prices and improved product and market mix.

The Company achieved highest ever quarterly Operating EBITDA at ₹9,491 crores, an increase of 18% QoQ with an EBITDA margin of 36.6%. The increase in EBITDA margins was primarily due to increased realizations from export and domestic markets and an enriched product mix, which was partially offset by increase in raw material prices, especially iron ore and coal. The company reported its highest ever quarterly Profit after Tax of ₹5,258 crores, an increase of 31% QoQ.

Performance of Subsidiaries:

JSW Steel Coated Products (Consolidated):

During the quarter, JSW Steel Coated Products, including its subsidiaries, registered a production volume (GI/GL + Tin) of 0.66 million tons and sales volume of 0.70 million tonnes. Revenue from



Operations and Operating EBITDA for the quarter stood at ₹6,728 crores and ₹963 crores respectively. It reported a Profit after Tax of ₹682 crores for the quarter.

JSW Steel USA Ohio Inc. (Acero):

The EAF-based steel manufacturing facility in Ohio, USA, recommenced operations in March 2021 following an upgrade, and is ramping up well. During Q1 FY2022, it produced 150,539 net tonnes of Slabs. Sales volumes for the quarter stood at 52,391 net tonnes of Slabs and 62,678 net tonnes of HRC. It reported an EBITDA of US\$ 19.03 million for the quarter against an EBITDA loss of US\$ 24.18 million in Q4 FY2021.

US Plate & Pipe Mill:

The Plate & Pipe Mill based in Texas, USA produced 78,648 net tonnes of Plates and 5,685 net tonnes of Pipes, reporting a capacity utilization of 31% and 4%, respectively, during the quarter. Sales volumes for the quarter stood at 67,467 net tonnes of Plates and 4,935 net tonnes of Pipes. It reported an EBITDA of US\$ 24.45 million for the quarter against EBITDA loss of US\$ 6.60 Million in Q4 FY2021.

Italy Operations :

The Italy based Rolled long products manufacturing facility produced 74,253 tonnes and sold 59,085 tonnes during the quarter. It reported an EBITDA loss of Euro 4.76 million for the quarter compared to an EBITDA loss of Euro 2.52 Million in Q4 FY2021.

Consolidated Financial Performance Q1 FY2022:

Saleable Steel sales for the quarter stood at 3.47 million tonnes (Indian operations excluding JVs). The company enhanced exports by 14% QoQ to partially offset the fall in domestic demand due to the second wave of Covid, as well as seasonality.

During the quarter, the joint ventures operations, mainly Bhushan Power & Steel Ltd. and JSW Ispat Special Products Ltd, performed satisfactorily. The share of profit from JVs for the quarter stood at ₹323 crores.

The company registered highest ever quarterly Revenue from Operations of ₹28,902 crores and highest ever Operating EBITDA of ₹10,274 crores, with an EBITDA margin of 35.5%. The Profit after Tax (including subsidiaries, joint ventures and associates) was ₹5,900 crores for the quarter, which is the highest ever quarterly achievement.

The Company's consolidated Net Gearing (Net Debt to Equity) stood at 1.04x at the end of the quarter (as against 1.14x at the end of Q4 FY2021) and Net Debt to EBITDA stood at 1.89x (as against 2.61x at the end of Q4 FY2021).

Production and Sales summary is as follows: (million tonnes)

Particulars	Crude Steel	Sales
JSW Steel Standalone	4.10	3.61
JSW Steel USA Ohio	0.14	0.10
Joint Control Entities:		
Bhushan Power & Steel Ltd.	0.69	0.48
JSW Ispat Special Products Ltd.	0.14	0.14
JSW Steel Indian Operations including Joint control	4.93	4.23 *
Total Combined Volumes	5.07	4.33 *

* Without eliminating inter-company volumes

Update on Projects:

Project execution at all locations is ramping up, with the workforce availability gradually improving.

Dolvi 5mtpa expansion: During the quarter, the CDQ-2 (Coke Dry Quenching) project was commissioned. Completion work pertaining to the Blast Furnace and Steel Melt Shop is ongoing and full integrated operations are expected to commence from September 2021.

Other expansion projects at Vijayanagar, Vasind and Tarapur are progressing well.

During the quarter, the company spent ₹2,688 crores on capex, against a total planned capex spend of ₹18,240 crores for FY2022.

Strategic Investment:

The JSW Steel coated business enjoys a leadership position in India, with a strong market share. Capacities have been expanding organically as well as inorganically. Additional colour coating lines are being commissioned at Vasind, Kalmeshwar, Vijayanagar and Srinagar as the colour coated steel market is expected to witness strong growth over the next few years. The paint companies in India have limited expansion plans in coil coatings that are consumed by the Company's colour coating business. It is important for JSW Steel to strategically secure coil coating supplies for colour coated steel, which is a profitable downstream value-added product.

JSW Paints Private Limited ("JSW Paints") has scaled up in just 2 years and is reliably supplying over 90% of the Company's paint requirements. Their facility is strategically located in Western India, with the ability to further scale up the existing facility as well as add more capacities.



JSW Paints has set up an R&D Centre at Vasind and has been able to work closely with the JSW Coated team to develop and introduce new and innovative products. High-Gloss, Anti-Dirt, Anti-Microbial, Self-Cleaning, Cool Roof and many such new coatings are under trials and testing. Increasingly, customers seek warranty and performance assurance, which the Company is now able to offer due to its tie-up with JSW Paints, and further strengthen its competitive advantage.

JSW Paints approached the Company for an equity investment. The company's board has approved a strategic investment of approximately ₹750 crores in JSW Paints in 3-4 tranches between FY2022 and FY2025. In the first tranche of the Strategic Investment, the Company will invest ~₹300 crores and subscribe to equity shares equivalent to approximately 6.88% (on fully diluted basis) of the issued and paid-up equity capital of JSW Paints during Q2 FY2022. The valuation has been done by one of the Big Four accounting firms and subsequent tranche investments will be made following similar independent valuations at the time of the investment.

Overall, this investment will be a very good strategic fit for JSW Steel - from jointly innovating, securing supplies, to having a strong competitive advantage for JSW Steel Coated. In addition, JSW Paints has been able to make inroads into the fast growing and lucrative decorative paints market, which will be value-accretive. Also, many of the paint retailers can be potential retailers for JSW Steel coated products enhancing the retail foot print for steel products.

Renewable Energy of ~1 GW

JSW Steel is aligned to India's Nationally Determined Contributions for climate change as per the Paris Accord, and has set out a GHG emission target of 2 tCO₂e/tcs by FY2030, a 41% reduction compared to its FY2005 baseline emissions. Replacing thermal power with renewable power is one of the key components of achieving this reduction. Moreover, JSW Steel has Renewable Power Obligations (RPO) that it is required to meet.

The Board has approved the entering into a Power Purchase Agreement for procurement of wind and solar power with Special Purpose Vehicles (SPV) set up by JSW Energy Ltd. under the group captive scheme. This will supplement the power requirements at the Vijayanagar, Dolvi and Salem steel complexes, and will also go towards meeting the Company's RPO obligations. JSW Energy Ltd. will be setting up these renewable power facilities with an installed capacity of 958MW.

The group captive scheme allows a waiver of the cross-subsidy surcharge, and requires the procurer to hold 26% equity in the power supplier. Accordingly, JSW Steel will invest ₹445 crores, equivalent to 26% of equity in the respective SPV's of the renewable projects to be set up by JSW Energy in the respective states of JSW Steel's plants, as per the group captive norms.

Outlook

In June 2021, the World Bank upgraded their CY 2021 global GDP growth forecast to 5.6% from 4.1% earlier, supported by fiscal and monetary policy measures by governments and central banks globally. Accelerated pace of vaccination programs in developed countries, especially US, UK and Europe, is driving opening up of their economies, leading to robust growth and job creation.

On the back of ramping up of vaccination programs and strong fiscal support from the respective governments, the recent PMI and IP prints of the US and EU reflect improving business and consumer sentiment which bodes well for steady economic recovery. Japan has had a slower pace of vaccination compared to the West, leading to more gradual economic recovery, though vaccinations have picked up recently.

China's GDP grew at 7.9% in Q2 CY 2021. Strong exports, especially in the month of June, on the back of recovery in advanced economies is a key positive, while the real estate sector moderated due to policy tightening. It is expected that monetary and fiscal policy will continue to be supportive for stable economic growth.

Inflation levels have increased globally, and pose a risk to the loose monetary policies in place, but most central banks currently expect it to be transitory, driven by supply-side disruptions. Possible re-emergence of infections driven by new variants also pose downside risks to the reopening of economies and the growth momentum. The currently rising daily caseloads in many countries is being closely watched.

In India, economic activities were impacted by the onset of the second wave of Covid, which has abated sharply in the month of June. As a result, lock-downs and restrictions have eased, and economic activities are picking up across the board, reflecting improved business and consumer sentiments. However, governments are continuing to be cautious about a third wave, although preparedness is much better as the Union cabinet has approved a ₹23,123-crore package for improving health infrastructure to fight Covid-19 as part of which around 2.40 lac hospital beds and 20,000 ICU beds would be created over the next few months till March 2022.

India's rural economy is being aided by a good monsoon for the third consecutive year, and a large part of fiscal stimulus measures have been directly focused on increasing rural income and consumption. This is reflected in the recent surge in tractor sales.

The Indian industrial sector has also shown a pick up, with peak power consumption hitting several records in 2021 (191GW in end-June). Green shoots are visible in the Automotive sector as domestic production volumes witnessed a bounce-back in the month of June, following the Covid-related hit in April and May. A robust residential real estate market since 2020 may signal a turn of the real estate cycle.

The government continues to focus on manufacturing, with continued rollout of PLI scheme for various sectors, including speciality steel. Construction and Infrastructure activities are expected to gain momentum in H2 FY2022.

Accelerated pace of vaccination in India is leading to improved business sentiment. Ongoing normal monsoons, and the accommodative stance of the RBI are key positives for the economy. Overall, faster ramp-up of vaccination programs and favorable fiscal policies with large budgetary allocations focused on infrastructure are expected to support a strong economic recovery.

About JSW Steel:

JSW Steel is the flagship business of the diversified US\$ 13 billion JSW Group. As one of India's leading business houses, JSW Group also has other business interests in sectors such as energy, infrastructure, cement, paints, sports and venture capital. JSW Steel has grown from a single manufacturing unit in early '80s to become India's leading integrated steel company with a steel-making capacity of 28 MTPA in India & USA, including capacities under joint control & new capacity to be commissioned at Dolvi during this year. Its roadmap for the next phase of growth includes a target of achieving 37.5 MTPA steel capacity by FY25. The Company's manufacturing unit in Vijayanagar, Karnataka is the largest single location steel-producing facility in India with a capacity of 12 MTPA. JSW Steel has always been at the forefront of research and innovation. It has a strategic collaboration with global leader JFE Steel of Japan, enabling JSW to access new and state-of-the-art technologies to produce & offer high-value special steel products to its customers. These products are extensively used across industries and applications including construction, infrastructure, automobile, electrical applications, appliances etc. JSW Steel is widely recognized for its excellence in business. Some of its key honours and awards include World Steel Association's Steel Sustainability Champion (consecutively from 2019 to 2021), Leadership Band Rating (A-) in CDP (2020), Deming Prize for TQM for its facilities at Vijayanagar (2018) and Salem (2019), DJSI RobecoSAM Sustainability Industry Mover Award (2018) among others. JSW Steel is the only Indian company to be ranked among the top 10 global steel producers by World Steel Dynamics for 10 consecutive years. As a responsible corporate citizen, JSW Steel's carbon reduction goals are aligned to India's Climate Change commitments under the Paris Accord.

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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