

Financial Performance for Second Quarter FY 2022-23

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its financial results for the Second Quarter ended 30th September 2022 (“Q2 FY23” or the “Quarter”).

Key Highlights for Q2 FY23

Standalone Performance:

- Crude Steel Production: 4.95 million tonnes
- Saleable Steel Sales: 5.01 million tonnes
- Revenue from Operations: ₹32,494 crores
- Operating EBITDA: ₹1,742 crores
- Net loss after Tax: ₹91 crores

Consolidated Performance:

- Crude Steel Production: 5.66 million tonnes
- Saleable Steel Sales: 5.74 million tonnes
- Revenue from Operations: ₹41,778 crores
- Operating EBITDA: ₹1,752 crores
- Net Loss after Tax: ₹915 crores
- Net Debt to Equity: 1.04x and Net Debt to EBITDA: 2.70x

Following the strong post-Covid recovery, global economic growth has been slowing in 2022, driven by elevated inflation leading to tightening monetary policy actions by central banks globally. Geopolitical tensions and the Russia-Ukraine conflict have led to elevated energy prices as well as shortages. Aggressive tightening by the US Federal Reserve is causing sharp depreciation of other currencies and creating financial market volatility and macro imbalances. Growth forecasts have been downgraded, and there is a rising risks of recession in Developed Markets.

In India, though inflation has been above the RBI’s threshold levels, the economy has been growing steadily, and is expected to be the fastest growing major economy in 2022 and 2023. The government’s infrastructure push, improvement in capacity utilizations, a broad-based revival in credit growth, strong corporate and bank balance sheets, and upbeat consumer and business confidence are all factors contributing to steady growth. However, slowing global growth and macro imbalances are a significant headwind.

The domestic steel industry witnessed demand growth with consumption at 27.93 Million tonnes in Q2 FY23, up by 13.0% YoY and 1.6% QoQ, supported by a strong automotive sector and demand from the infrastructure sector. However, the imposition of export duty on finished steel products in May 2022 had made exports

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unattractive, with Q2 FY23 exports (excluding semis) from India at 1.41 million tonnes, lower by 66.4% YoY and 35.6% QoQ.

During the Quarter, the combined crude steel production of JSW Steel was 5.68 Million tonnes, sequentially lower by 3%, attributable mainly to extended maintenance shutdowns at JISPL, and subdued market conditions in USA. The 5mtpa Dolvi Phase-II expansion continued to ramp up and achieved average capacity utilization of ~ 80% vs. 60% in Q1 FY23.

The Company's performance during the quarter was significantly impacted by a sharp fall in steel prices, while benefit of lower raw material prices will flow through with a lag. One-off items such as NRV (net realizable value) provisions and inventory losses, mark-to-market unrealized loss on outstanding foreign currency loans and payment of export duty on exports further impacted the operating performance. Despite a challenging global economic scenario, we expect healthy steel demand growth in India during H2 FY23 which along with flow through of lower raw material prices should aid Company's performance in the coming quarters.

Standalone Performance Q2 FY23:

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

Particulars (Million tonnes)	Q2FY23	Q1FY23	%QoQ	Q2FY22	%YoY
Production: Crude Steel	4.95	5.00	-1%	4.10	21%
Sales:					
- Rolled: Flat	3.60	3.03	18%	2.61	37%
- Rolled: Long	1.18	0.87	35%	0.95	24%
- Semis	0.23	0.13	73%	0.22	5%
Total Saleable Steel Sales	5.01	4.03	24%	3.79	32%

Crude Steel Production was at 4.95 million tonnes, up 21% YoY, however marginally lower sequentially due to availability as well as logistics constraints in sourcing of iron ore.

Sales of saleable steel at the Standalone level were 5.01 million tonnes for the quarter, up 24% QoQ and 32% YoY, led by improved domestic demand mainly in the retail segment. Exports were at 7% of total sales during the quarter, with export volumes falling 38% QoQ, due to imposition of export duty in May 2022.

The Company registered Revenue from Operations of ₹32,494 crores, higher by 4.4% QoQ, mainly led by higher sales volumes, partly offset by reduction in average sales realization.

The Company registered Operating EBITDA at ₹1,742 crores for Q2 FY23, a reduction of 48% QoQ with an EBITDA margin of 5.4%. The EBITDA margin was lower primarily due to a 14% reduction in net sales realization, partly offset by a reduction in raw material prices, primarily coking coal & iron ore.

The Company reported Net Loss after Tax of ₹91 crores for the quarter.

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Subsidiaries' Performance Q2 FY23:

JSW Steel Coated Products (Consolidated):

During the quarter, JSW Steel Coated Products, including its subsidiaries, registered a production volume (GI/GL + Tin) of 0.68 million tons and sales volume of 0.79 million tonnes. Revenue from Operations for the quarter stood at ₹6,723 crores, and an Operating EBITDA loss of ₹79 crores. Margins were impacted by lower realization and higher zinc prices. The subsidiary reported a Loss after Tax of ₹260 crores for the quarter.

Bhushan Power & Steel Ltd (BPSL):

During the quarter, BPSL registered Crude Steel Production of 0.63 million tonnes and Sales volume of 0.64 million tonnes. Revenue from Operations and Operating EBITDA loss for the quarter stood at ₹4,805 crores ₹183 crores, respectively. BPSL reported a Loss after Tax of ₹340 crores for the quarter. Performance during the quarter was severely affected by non-availability of iron ore and disruptions due to heavy rainfall in Odisha.

JSW Steel USA Ohio Inc.:

The EAF-based steel manufacturing facility in Ohio, USA, produced 48,691 net tonnes of HRC and 90,709 net tonnes of Slabs during the quarter. Sales volumes for the quarter stood at 52,862 net tonnes of HRC and 63,614 net tonnes of Slabs. Volumes were lower due to subdued demand for HRC in USA. It reported an Operating EBITDA loss of US \$40.25 million for the quarter, part of which is attributable to NRV losses.

US Plate and Pipe Mill:

The Plate & Pipe Mill based in Texas, USA produced 77,172 net tonnes of Plates and 4,969 net tonnes of Pipes, reporting a capacity utilization of 36% and 4%, respectively, during the quarter. Sales volumes for the quarter stood at 74,665 net tonnes of Plates and 4,576 net tonnes of Pipes. It reported an Operating EBITDA of US\$ 24.73 million.

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

The Italy based Rolled long products manufacturing facility produced 75,907 tonnes and sold 65,604 tonnes during the quarter. It reported an Operating EBITDA of Euro 1.0 million for the quarter.

Consolidated Financial Performance Q2 FY23:

Saleable Steel sales for the quarter stood at 5.74 million tonnes, higher by 28% QoQ, driven by higher domestic sales.

The company registered Revenue from Operations of ₹41,778 crores and Operating EBITDA of ₹1,752 crores, with an EBITDA margin of 4.2%. The fall in EBITDA is attributable to a reduction in the steel spread, as the decline in sales realization was only partly compensated by the reduction in coal and domestic iron ore prices. The Loss after Tax for the quarter was ₹915 crores, after incorporating the financials of subsidiaries, joint ventures and associates.

Exceptional Items:

Exceptional items for the quarter and half year ended 30 September 2022 comprise of the following:

- a) Income recognized amounting to Rs 256 crores in relation to compensation received / receivable in accordance with provisions of Coal Mines (Special Provisions) Act, 2015, against a subsidiary's claim

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pertaining to expenditure incurred on deallocated coal mine vide Supreme Court order dated 24 September 2014.

- b) Net gain amounting to Rs 335 crores pursuant to sale of entire 70% stake in Santa Fe Mining in Chile by a wholly owned subsidiary of the Company, primarily pertaining to Foreign Currency Translation Reserve balances recycled to statement of profit and loss and de-recognition of non-controlling interests carried in the consolidated financial results as on the date of disposal of subsidiary.

The Company's consolidated Net Gearing (Net Debt to Equity) stood at 1.04x at the end of the quarter (as against 0.98x at the end of Q1 FY23), and Net Debt to EBITDA stood at 2.70x (as against 2.03x at the end of Q1 FY23). Net Debt as the of end of 30th September 2022 stood at Rs 65,719 crores, lower by Rs.1,502 crores over 30th June 2022.

Production and Sales Summary:

Particulars (million tonnes)	Q2 FY23		H1 FY23	
	Crude Steel Production	Sales	Crude Steel Production	Sales
Consolidated Indian Operations	5.57	5.63	11.19	9.96
Joint Control Entity:				
JSW Ispat Special Products Ltd.	0.03	0.03	0.13	0.16
Indian Operations including Joint Control Entity	5.60	5.67	11.32	10.12
JSW Steel USA Ohio	0.08	0.11	0.24	0.26
Total Combined Volumes	5.68	5.77	11.56	10.38

Update on Projects:

The 5 mtpa brownfield expansion at Vijayanagar is progressing well, with civil works underway at the site. Long lead-time items have been ordered, and Letters of Credit established. Equipment erection has commenced for all packages. The project is expected to be completed by the end of FY24.

Two downstream projects, Continuous Annealing Line (CAL) at Vasind and Tinplate Line-2 at Tarapur, were commissioned during Q2 FY23.

The expansion at BPSL to 3.5 mtpa was completed during Q2 FY23. The Phase-II expansion from 3.5 mtpa to 5mtpa remains on track for completion by FY24.

The Company's capex spend was ₹2,891 crores during Q2 FY23, and ₹6,593 crores during H1 FY23, against the revised planned capex spend of ₹15,000 crores for FY23.

Outlook

The global economic outlook has weakened as a result of the ongoing conflict in Ukraine, high energy costs, elevated inflation and the consequent monetary tightening in most countries. In its World Economic Outlook published in October, the IMF highlights multiple risks to global growth and has reduced the 2023 global GDP growth forecast to 2.7% (-0.2% vs July 2022), while keeping the 2022 forecast unchanged at 3.2%. Aggressive policy tightening by the US Fed is causing global imbalances with the strengthening of the US Dollar.

In the United States, while PMI data is still positive, manufacturing activity is slowing down while services remain resilient. Tight labour markets and healthy wage growth is supporting consumption but also pushing the Fed towards continued aggressive policy tightening. Rising interest rates have however impacted the residential real estate sector. Prolonged high inflation remains a risk to real disposable income which can hurt consumption.

The growth outlook for Europe has weakened significantly with further slowdown expected in upcoming winter months on the back of energy shortages, high inflation and policy tightening by the ECB. The outlook for industrial activity remains weak with manufacturing PMI falling below 50 in September.

China's continued Covid lockdowns, coupled with the strained property sector and weakening global demand have affected growth. Policy actions post the Party Congress meet could drive economic recovery. Relaxation of the Zero-Covid Strategy would also boost consumption and investments in the coming quarters.

Recession risks in advanced economies continue to remain elevated, especially in Europe, which is most impacted by high energy prices. At the same time, easing tensions in Ukraine, relief in Covid restrictions in China along with growth-oriented policy measures, and a fall in global inflation are potential upside risks.

India remains a bright spot amidst a challenging global economic backdrop, and is expected to be the fastest growing major economy in the world. India has one of the highest Manufacturing and Services PMI's among major economies. The government is focused on building infrastructure, supported by healthy tax collections, and growing domestic manufacturing. The residential real estate sector is seeing continued strength, with strong sales and new launches, amidst healthy affordability. The outlook for the auto sector remains encouraging, driven by strong demand and abating chip shortages. A global slowdown and monetary tightening by developed market central banks could be headwinds to growth.

About JSW Steel:

JSW Steel is the flagship business of the diversified, US\$ 22 billion JSW Group. As one of India's leading business houses, JSW Group also has interests in energy, infrastructure, cement, paints, sports, and venture capital. JSW Steel, certified by Great Places To Work in 2021, has emerged as an organization with a strong cultural foundation. Over the last three decades, it has grown from a single manufacturing unit to become India's leading integrated steel company with a capacity of 28.5 MTPA in India and the USA (including capacities under joint control). Its next phase of growth will take its total capacity to 38.5 MTPA 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 and offer high-value special steel products to its customers. These products are extensively used across industries and applications including construction, infrastructure, automobile, electrical applications, and appliances. JSW Steel is widely recognized for its excellence in business and

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sustainability practices. Some of these recognitions include World Steel Association's Steel Sustainability Champion (consecutively from 2019 to 2022), Leadership Rating (A-) in CDP (2020 & 2021), Deming Prize for TQM for its facilities at Vijayanagar (2018), and Salem (2019). It is part of the S&P Dow Jones Sustainability Index (DJSI) for Emerging Markets (2021) and S&P Global's Sustainability Yearbook (consecutively for 2020 and 2021). JSW Steel is the only Indian company to be ranked among the top 15 global steel producers by World Steel Dynamics for 13 consecutive years since 2008. As a responsible corporate citizen, JSW Steel's carbon reduction goals are aligned with 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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