

Financial Performance for Second Quarter FY 2023-24

Mumbai, India: JSW Steel Limited (“JSW Steel” or the “Company”) today reported its financial results for the fiscal Second Quarter ended 30th September, 2023 (“Q2 FY24” or the “Quarter”).

Key Highlights for Q2 FY24

Consolidated Performance:

- Crude Steel Production: 6.34 million tonnes
- Saleable Steel Sales: 6.34 million tonnes
- Revenue from Operations: ₹44,584 crores
- Operating EBITDA: ₹ 7,886 crores
- Net Profit after Tax: ₹2,773 crores
- Net Debt to Equity: 0.92x and Net Debt to EBITDA: 2.52x

The global economy has slowed down compared to last year with growing regional divergences. Inflation has been cooling off across regions but is likely to remain above Central Bank’s targets, resulting in “higher for longer” interest rates. The IMF expects the global economy to grow 3% in 2023, similar to its previous forecast of July 2023. While there are several downside risks to global growth, the odds of a hard landing have receded. Evolving geopolitics remains a key concern.

In India, economic activity remains resilient despite global headwinds. Monthly PMI data indicates strong traction in both manufacturing and services sectors. Government’s focus on infrastructure and positive consumer sentiment are driving investments. Electricity consumption, e-way bills, rail and port traffic, domestic air passenger traffic, passenger vehicle sales and bank credit growth indicate strong underlying momentum in the Indian economy.

Steel production as well as consumption remains strong, aided by government capex as well as overall healthy economy. India’s finished steel consumption during Q2 FY24 was 32.8 million tonnes, up 16.1% YoY while crude steel production grew 15.9% YoY to 34.81mt.

Consolidated Financial Performance for Q2 FY24:

Consolidated Crude Steel Production for the quarter stood at 6.34 million tonnes, lower by 1% QoQ and higher by 12% YoY. The Company had taken certain maintenance shutdowns at Indian operations during the quarter, hence the average capacity utilization was 89%. Capacity utilization was lower at the Ohio, USA operations due to adverse market conditions.



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Steel Sales for the quarter stood at 6.34 million tonnes, higher by 11% QoQ and 10% YoY. The Company was able to reduce inventories by 0.3 million tonnes during the quarter. Domestic sales at 5.49 million tonnes were up 18% QoQ and 8% YoY driven by strong domestic demand and improvement in product-mix. Exports, at 0.69 million tonnes, constituted 11% of sales from the Indian operations.

The Company registered Revenue from Operations of ₹44,584 crores and Operating EBITDA of ₹7,886 crores, with an EBITDA margin of 17.7%. The EBITDA improved by 12% QoQ, driven by higher sales volumes and lower coking coal cost. This was partially offset by lower EBITDA contribution from the overseas operations.

Exceptional items for the quarter, ₹589 crores gain comprising of following three items :

- (i) Fair value gain of Rs. 780 Crores on its investments held in CSSL upon fair valuation pursuant to merger of CSSL and JISPL.
- (ii) Gain amounting to Rs. 198 Crores upon sale of property, plant and equipment and mineral rights held at West Virginia.
- (iii) A provision amounting to Rs. 389 Crores pursuant to dismissal of Company's writ petition by Honourable High Court of Bombay, Goa Bench in the Goa Green Cess matter.

The Profit after Tax for the quarter was ₹2,773 crores, up 14% QoQ and a significant increase from the loss of ₹915 crores reported in Q2 FY23.

The Company's Net Gearing (Net Debt to Equity) stood at 0.92x at the end of the quarter (as against 0.96x at the end of Q1 FY24), and Net Debt to EBITDA stood at 2.52x (as against 3.14x at the end of Q1 FY24). The Net Debt increased to ₹69,195 crores during the quarter, primarily due to additions of borrowings arising out of merger of JSW Ispat Special Products Limited (JISPL).

Production and Sales Summary:

| Particulars (million tonnes) | Q2 FY24 | | Q2 FY23 | |
|----------------------------------------------------------------------|------------------------|-------------|------------------------|-------------|
| | Crude Steel Production | Sales | Crude Steel Production | Sales |
| Consolidated Indian Operations | 6.20 | 6.18 | 5.57 | 5.63 |
| JSW Steel USA Ohio | 0.14 | 0.16 | 0.08 | 0.11 |
| JSW Steel Consolidated Operations | 6.34 | 6.34 | 5.66 | 5.74 |
| JSW Ispat Special Products Ltd. (JISPL) ¹ | 0.07 | 0.06 | 0.03 | 0.03 |
| Total combined Volumes | 6.41 | 6.39 | 5.68 | 5.77 |
| Guidance for FY24: Production 26.34 Mnt & Sales 25.00 Mnt | | | | |

Following the completion of JISPL merger with JSW Steel, volumes for JISPL have been included in India Operations from 1st Aug'23.

1. JISPL numbers pertain to July'23 & corresponding period prior to that.

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Standalone Performance for Q2 FY24:

The Crude Steel Production was at 5.40 million tonnes, lower by 1% QoQ due to certain maintenance shutdowns taken during the quarter, but was higher by 9% on YoY basis.

Standalone Steel Sales volumes were 5.41 million tonnes for the quarter, higher by 10% QoQ and 8% YoY, due to robust domestic demand and reduction in inventory.

The Company registered Revenue from Operations of ₹33,738 crores, higher by 3% QoQ and 4% YoY. The growth was mainly driven by volumes and partially offset by lower sales realization.

The Company registered Operating EBITDA at ₹6,898 crores for Q2 FY24, higher by 42% QoQ and 296% YoY. The EBITDA margin for the quarter was 20.4%. EBITDA was higher primarily due to lower coking coal cost, partially offset by lower steel realisations.

The Company reported Profit after Tax of ₹2,913 crores for the quarter, growth of 71% QoQ and a significant increase from the loss of ₹91 crores reported in Q2 FY23.

Subsidiaries' Performance for Q2 FY24:

Bhushan Power & Steel (BPSL):

During the quarter, BPSL registered Crude Steel Production of 0.77 million tonnes and Sales volume of 0.80 million tonnes. Revenue from Operations and Operating EBITDA for the quarter stood at ₹5,817 crores and ₹745 crores, respectively. BPSL reported a Profit after Tax of ₹210 crores for the quarter.

JSW Steel Coated Products (Consolidated):

During the quarter, JSW Steel Coated Products, including its subsidiaries, registered a production volume (GI/GL, Tin, CRCA & other saleable products) of 1.07 million tonnes and sales volume of 1.09 million tonnes. Revenue from Operations for the quarter stood at ₹8,965 crores, and EBITDA was ₹411 crores. The EBITDA per tonne is marginally lower on QoQ basis mainly due to lower export realisations. The subsidiary reported a Profit after Tax of ₹113 crores for the quarter.

JSW Steel USA Ohio:

The EAF-based steel manufacturing facility in Ohio, USA, produced 1,51,313 net tonnes of Slabs during the quarter. Sales volumes for the quarter stood at 59,136 net tonnes of HRC and 1,16,091 net tonnes of Slabs. It reported a EBITDA loss of US\$29.4 million for the quarter. Lower volumes due to adverse market conditions in the US, as well as lower steel prices impacted performance during the quarter.

US Plate & Pipe Mill:

The Plate & Pipe Mill based in Texas, USA produced 88,090 net tonnes of Plates and 5,052 net tonnes of Pipes, reporting a capacity utilization of 37% and 4%, respectively, during the quarter. Sales volumes for the quarter stood at 92,423 net tonnes of Plates and 6,335 net tonnes of Pipes. It reported an EBITDA of US\$ 25.96 million.

Italy Operations:

The Italy based Rolled long products manufacturing facility produced 61,520 tonnes and sold 78,651 tonnes of rolled products during the quarter. It reported an EBITDA of Euro 8.9 million for the quarter. While volumes were higher QoQ, lower net realisations impacted EBITDA performance during the quarter.

Merger of JSW Ispat Special Products Limited (JISPL) with the Company:

The Scheme of Amalgamation pursuant to Section 230-232 and other applicable provisions of the Companies Act 2013, providing for amalgamation of its Joint Venture, Creixent Special Steels Limited ("CSSL") and CSSL's subsidiary JSW Ispat Special Products Limited ("JISPL") with the Company was approved by National Company Law Tribunal vide its order dated 22 June 2023, the certified copy of which was received on 12 July 2023. The scheme has become effective from 31 July 2023.

Update on Projects:

The 5 MTPA brownfield expansion at Vijayanagar is progressing well, with civil works underway at the site. The construction activities of all packages are currently underway and equipment erection has commenced. Erection of one Converter has been completed in the Steel Melt Shop. The project is expected to be completed by end of FY24.

At JSW Steel Coated Products Limited, the colour coated steel line of 0.12 MTPA in Jammu and Kashmir is expected to be completed in Q4 FY24.

The Phase-II expansion (from 3.5 MTPA to 5 MTPA) at BPSL is progressing well and is expected to be completed by the end of FY24.


The Company's capex spend during Q2 FY24 in India was ₹3,701 crores and consolidated was ₹3,816 crores. During H1 FY24 capex spend in India was ₹7,795 crores and consolidated was ₹7,996 crores, against the planned capex spend of ₹18,800 crores in India and ₹20,000 crores consolidated for FY24.

Outlook:

There has been a slowdown in the global economy compared to 2022 due to the lingering impact of the Ukraine conflict as well as unprecedented monetary tightening to combat inflation. The IMF, in its outlook published in October 2023, expects the global economy to grow at 3% in 2023, similar to its previous forecast of July 2023, but a drop from 3.5% growth in 2022. There have been regional divergences with the US, India, Japan performing better than Europe and China. Inflation is cooling but is expected to remain above Central Banks targets. Downside risks to global growth remain, but the odds of hard landing have receded. Additionally, recent geopolitical developments in the Middle East are a concern.

In the US, healthy services sector and strong labour markets are supporting economic growth. However, the Fed's "higher for longer" stance to control sticky inflation implies elevated rates are likely to sustain. This could result in a slowdown from the end of CY23. In Europe, growth has weakened on elevated interest rates and a global slowdown that has affected exports. Moderating inflation and improvement in global demand will be triggers for recovery.

In China, economic activity had slowed down in early 2023 post the Covid re-opening, and there has been continued weakness in the property sector. However, China's strong Q3 CY23 GDP print of 4.9% along with



other economic indicators such as retail sales, industrial production, services, etc demonstrates positive momentum on the back of targeted policy actions. Further policy measures could add more legs to the recovery.

In Japan, healthy wage hikes are supporting consumption growth, while manufacturing is slowing. A prolonged global slowdown is negative for Japanese exports despite the weakness in the Yen.

Amidst a slowing global economy, India remains a bright spot with healthy economic momentum driven by both manufacturing and services. The government's thrust on infrastructure (spends up 48% YoY FYTD August) and positive consumer sentiment are driving investments. Strong traction in Infrastructure, energy transition, defence and PLI scheme are driving capex. There is strong interest from global investors and corporates to participate in the long-term India growth story.

Healthy tax collections on the back of strong economic activity gives the government capacity for investments and other spending. The festive season demand is shaping up well with healthy growth in consumption. Auto and residential real estate sectors are witnessing robust demand growth. Green shoots are visible in the rural economy, with positive traction in 2W demand and FMCG sales, even as the effects of an uneven monsoon remain a monitorable.

Evolving geopolitics, higher energy prices and a severe global slowdown are key risks to India's economic growth momentum in the near term.

About JSW Steel:

- *JSW Steel is the flagship business of the diversified, US\$ 23 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.*
- *Over the last three decades, JSW Steel has grown from a single manufacturing unit to become India's leading integrated steel company with a capacity of 29.7 MTPA in India and the USA. Its next phase of growth in India 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 plant in India with current capacity of 12.5 MTPA, increasing to 19.5 MTPA by FY25.*
- *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 sustainability practices. Some of these recognitions include World Steel Association's Steel Sustainability Champion (consecutively from 2019 to 2023), Leadership Rating (A) in CDP climate change disclosure (2022), Deming Prize for TQM for its facilities at Vijayanagar (2018), and Salem (2019). It was part of the Dow Jones Sustainability Index (DJSI) for Emerging Markets during 2021 and included in the S&P Global's Sustainability Yearbook (consecutively from 2020 to 2022).*
- *JSW Salem Works became the first Integrated Steel Plant in the world to achieve the British Safety Council 5-star rating, as well as receive the "Sword of Honor" award. JSW Steel Dolvi Works achieved a top rating in the British Safety Council 5-star OHS Rating Audit.*



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- In December 2022, JSW Steel was ranked 8th among the top 35 world-class steelmakers, according to the 'World-Class Steelmaker Rankings' by World Steel Dynamics (WSD), based on a variety of factors.
- As a responsible corporate citizen, JSW Steel's CO2 emission reduction goals are aligned with India's Climate Change commitments under the Paris Accord.
- JSW Steel aims to reduce its CO2 emissions by 42% from its steel-making operations and achieve net zero CO2 emissions at its subsidiary, JSW Steel Coated Products Ltd by 2030. JSW Steel aims to lead the energy transition by powering steel-making operations entirely by renewable energy by 2030. Other sustainability targets include achieving no-net loss in biodiversity at the operating sites by 2030, substantially improving air quality and reducing water consumption in all operations and maintaining Zero Liquid Discharge.
- JSW Steel has emerged as an organisation with a strong cultural foundation. It is certified by Great Places to Work (2021, 2022 and 2023) as well as ranked as one of the Best Employers among Nation Builders (2023).

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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