

Financial Performance for Third Quarter FY 2023-24

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its financial results for the fiscal Third Quarter ended 31st December, 2023 ("Q3 FY24" or the "Quarter").

Key Highlights for Q3 FY24

Consolidated Performance:

- Crude Steel Production: 6.87 million tonnes
- Saleable Steel Sales: 6.00 million tonnes
- Revenue from Operations: ₹41,940 crores
- Operating EBITDA: ₹ 7,180 crores
- Net Profit after Tax: ₹2,450 crores
- Net Debt to Equity: 1.02x and Net Debt to EBITDA: 2.64x
- JSW Steel commits to achieve "Net Zero" carbon emissions by 2050

The global economy has been resilient despite headwinds such as elevated interest rates and adverse geopolitical events. The World Bank forecasts global growth to be marginally weaker at 2.9% in 2024 vs. 3% in 2023. Easing of inflation in major economies has opened up the possibilities of interest rate cuts in 2024, and fears of a hard landing have diminished considerably.

India's economic growth remains strong led by the momentum in manufacturing and investments in infrastructure. Healthy tax collections are supporting a robust increase in capital outlay. Auto, real estate and renewables are witnessing strong growth. However, the rural economy remains mixed with weakness in agriculture, but robust 2 wheeler sales and lower MNREGA demand giving some signals of a recovery. External shocks remain a key risk to the Indian economy.

Robust economic activity and government capex continue to drive steel demand growth in India. During Q3 FY24, India's finished steel consumption grew 12% YoY to 35.15mt, while crude steel production grew 12.1% YoY to 35.98mt. A surge in imports, especially from China, during the quarter led to India remaining a net steel importer with imports growing 16.2% QoQ to 2.59mt and exports falling by 16.4% QoQ to 1.37mt, resulting in net imports increasing 108% QoQ. The rising level of steel imports into India on the back of relatively weak global markets is a concern.

Consolidated Financial Performance for Q3 FY24:

Consolidated Crude Steel Production for the quarter stood at 6.87 million tonnes, higher by 8% QoQ and higher by 12% YoY. The strong performance was driven by capacity utilization rising to 94% during the quarter vs. 89% in Q2 FY24 at the Indian operations. Capacity utilization for 9M FY24 was 91%. The Company had taken



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certain maintenance shutdowns at Indian operations during Q2 FY24. Capacity utilization also improved at the Ohio, USA operations due to better demand scenario.

Steel Sales for the quarter stood at 6.00 million tonnes, lower by 5% QoQ and higher by 7% YoY. Domestic sales at 5.27 million tonnes were down by 4% QoQ and higher by 2% YoY. While volumes declined QoQ, the OEM & Industrial volumes were strong, up 8% QoQ and 12% YoY, with highest quarterly sales to OEM & Industrial customers, and Automotive, Renewable and Packaging segments. Retail sales were particularly impacted during the quarter on higher imports and channel destocking. Exports at 0.55 million tonnes fell 20% QoQ on subdued global markets and constituted 9% of sales from the Indian operations.

The Company registered Revenue from Operations of ₹41,940 crores and Operating EBITDA of ₹7,180 crores, with an EBITDA margin of 17.1% during the quarter. The EBITDA reduced by 9% QoQ, driven by lower sales volumes and higher Iron ore and coking coal cost. This was partially offset by higher EBITDA from the overseas operations.

The Profit after Tax for the quarter was ₹2,450 crores, down by 12% QoQ and a significant increase from the profit of ₹474 crores reported in Q3 FY23.

The Company's Net Gearing (Net Debt to Equity) stood at 1.02x at the end of the quarter (as against 0.92x at the end of Q2 FY24), and Net Debt to EBITDA stood at 2.64x (as against 2.52x at the end of Q2 FY24). The Net Debt increased to ₹79,221 crores during the quarter, primarily due to additional investments in working capital.

Production and Sales Summary:

Particulars (million tonnes)	Q3 FY24		Q3 FY23	
	Crude Steel Production	Sales	Crude Steel Production	Sales
Consolidated Indian Operations	6.63	5.82	6.06	5.55
JSW Steel USA Ohio	0.24	0.18	0.08	0.08
JSW Steel Consolidated Operations	6.87	6.00	6.14	5.63
JSW Ispat Special Products Ltd. (JISPL)	-	-	0.10	0.08
Total combined Volumes	6.87	6.00	6.24	5.71
On track to meet guidance of Total Combined Volumes 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.

Standalone Performance for Q3 FY24:

The Crude Steel Production was at 5.72 million tonnes, higher by 6% QoQ and by 8% on YoY basis.

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Standalone Steel Sales volumes were 5.20 million tonnes for the quarter, lower by 4% QoQ, mainly due to higher imports coming into India resulting in increase in inventory, but was higher by 5% on YoY basis.

The Company registered Revenue from Operations of ₹33,310 crores, lower by 1% QoQ and higher by 8% YoY.

The Company registered Operating EBITDA at ₹5,779 crores for Q3 FY24, lower by 16% QoQ and higher by 43% YoY. The EBITDA margin for the quarter was 17.3%. EBITDA was lower primarily due to higher Iron ore and coking coal cost, partially offset by higher sales realisations.

The Company reported Profit after Tax of ₹2,416 crores for the quarter, down by 17% QoQ and increased by 96% YoY.

Subsidiaries' Performance for Q3 FY24:

Bhushan Power & Steel (BPSL):

During the quarter, BPSL registered Crude Steel Production of 0.86 million tonnes and Sales volume of 0.70 million tonnes. Revenue from Operations and Operating EBITDA for the quarter stood at ₹5,030 crores and ₹780 crores, respectively. BPSL reported a Profit after Tax of ₹260 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 0.95 million tonnes and sales volume of 0.94 million tonnes. Revenue from Operations for the quarter stood at ₹7,767 crores, and EBITDA was ₹232 crores. The EBITDA per tonne decline on QoQ basis is mainly due to lower realisations. The subsidiary reported a net loss of ₹52 crores for the quarter.

JSW Steel USA Ohio:

The EAF-based steel manufacturing facility in Ohio, USA, produced 2,67,666 net tonnes of Slabs during the quarter. Sales volumes for the quarter stood at 56,355 net tonnes of HRC and 1,46,383 net tonnes of Slabs. It reported a EBITDA loss of US\$6.44 million for the quarter.

US Plate & Pipe Mill:

The Plate & Pipe Mill based in Texas, USA produced 97,829 net tonnes of Plates and 7,219 net tonnes of Pipes, reporting a capacity utilization of 40% and 5%, respectively, during the quarter. Sales volumes for the quarter stood at 86,985 net tonnes of Plates and 5,531 net tonnes of Pipes. It reported an EBITDA of US\$ 18.67 million.

Italy Operations:

The Italy based Rolled long products manufacturing facility produced 1,01,660 tonnes and sold 83,818 tonnes of rolled products during the quarter. It reported an EBITDA of Euro 16.7 million for the quarter. While volumes were lower QoQ, higher net realisations drove higher EBITDA during the quarter.

JSW Steel commits to achieve "Net Zero" carbon emission by 2050:

At JSW Steel, mainstreaming sustainability across the business and generating sustainable value is a strategic priority. We had committed to reduce our carbon emissions by 42% to 1.95t/tco₂, and had issued the global steel industry's first USD Sustainability Linked Bond in 2021 based on this target. The company is now extending its responsibility to the environment with a commitment to achieving Net Zero by 2050.

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Update on Projects:

The 5 MTPA brownfield expansion at Vijayanagar is progressing well with construction activities for all packages underway. At the Blast Furnace, civil and structural work is nearing completion and equipment erection & piping work is at an advanced stage. The equipment erection at 1st Converter and Caster at the SMS has been completed while all mill stands at HSM have been erected and trial runs are expected to commence soon. The commissioning activities to commence progressively.

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

At JSW Steel Coated Products Limited, the colour coated steel line of 0.12 MTPA in Jammu and Kashmir is expected to start commissioning activities from Q1 FY25.

The Company's capex spend during Q3 FY24 in India was ₹5,103 crores and consolidated was ₹5,253 crores. During 9M FY24, capex spend in India was ₹12,898 crores and consolidated was ₹13,249 crores. We expect consolidated capex for FY24 to be ~ ₹18,000 crores as compared to ₹20,000 crores planned earlier.

Outlook:

The global economy has been resilient despite elevated interest rates and multiple geopolitical events over the last couple of years. According to the World Bank¹, global GDP growth for 2023 was 3%, which is 0.3pp higher than its earlier estimate of 2.7%. The World Bank forecasts global growth at 2.9% in 2024, marginally lower compared to 2023. Inflation has eased across major economies and this is expected to start a rate easing cycle in 2024. However, the overhang of geopolitical risks continues and the recent Red Sea crisis has pushed up freight rates sharply, impacting global trade and adding to inflationary pressure.

In the US, while the sustained strength in labour markets has supported consumption and overall growth, initial signs of cooling off are visible and the unemployment rate is expected to gradually increase over the next few quarters. Effects of elevated interest rates is expected to impact growth in 2024 even as the risk of a hard landing has diminished considerably. Potential rate-cuts from mid- 2024 should aid gradual recovery.

In China, while GDP growth at 5.2% in 2023 was fairly robust, driven by an improvement in consumption and industrial manufacturing, the weakness in the property sector continues to be a concern. Targeted stimulus by the government has supported growth and the same is likely to continue, with broader stimulus possible to support economic recovery. Emerging sectors such as the energy transition, EVs and high-end manufacturing will drive growth in 2024.

¹ Source: World Bank: Global Economic Prospects Jan'24, World growth as per Purchasing Power Parity weights

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In the Eurozone, weak manufacturing activity and elevated rates have led to subdued growth, though the labour market remains relatively strong. Falling inflation and expected rate cuts in 2024 are likely to support a gradual recovery through the year.

In Japan, the economy has slowed on lower manufacturing and weak exports. Recovery in consumption is expected on the back of ongoing wage hikes, fiscal support in the form of expected tax cuts in 2024, and the US and other major economies avoiding a hard landing, thus helping exports.

The growth momentum for the Indian economy remains strong, driven by manufacturing and government spends on infrastructure. The central government capex has increased 31% during April-Nov 2023, supported by healthy tax collections. Election-related spending is likely to stimulate consumption in H1 CY24. The residential real estate sector remains very strong, with tailwinds from increased affordability and peaking out of interest rates. Strong momentum continues in the auto and renewable energy sectors. The rural economy remains mixed given weather-related impacts on agriculture, however 2-wheeler sales have shown a strong uptick recently. External shocks driven by geopolitical events are key risks for the Indian economy.

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-producing facility in India with current capacity of 12.5 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 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 is now part of the World Dow Jones Sustainability Index (DJSI) and Emerging Markets during 2023, along with inclusion in the S&P Global's Sustainability Yearbook (consecutively from 2020 to 2023).*
- *JSW Steel's SEED project has been awarded with Energy Transition Changemakers at COP28.*
- *In December 2023, 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.*

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- 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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