PRESS RELEASE

25th Oct 2024

JSW Steel

Financial Performance for Second Quarter FY 2024-25

Mumbai, India: JSW Steel Limited ("JSW Steel" or the "Company") today reported its financial results for the Second Quarter ended 30th September, 2024 ("Q2 FY25" or the "Quarter").

Key Highlights for Q2 FY25
Consolidated Performance:

- Crude Steel Production: 6.77 million tonnes
- Saleable Steel Sales: 6.13* million tonnes
- Revenue from Operations: ₹39,684 crores
- Operating EBITDA: ₹5,437 crores
- Net Profit after Tax: ₹404 crores
- Net Debt to Equity: 1.04x & Net Debt to EBITDA: 3.51x

* Including 0.03 Mnt Sales from Trial run

The global economy remains stable with the IMF forecasting growth of 3.2% in 2024 as well as 2025. Inflation continues to cool off and the monetary easing cycle is underway with the US Fed cutting rates by 50 bps in September. Policy initiatives announced by China to stimulate its economy are a positive development, especially for the metals sector. However, geopolitical risks, especially the potential for escalations in the Middle East, remain a key concern.

India stands out as a global growth engine, with a strong monsoon expected to boost the rural economy. Government capex is set to gain momentum in H2 FY25 after a slow start, supported by a healthy fiscal balance and robust tax collections. The RBI has upheld its 7.2% GDP growth forecast for FY25 and shifted its stance to 'Neutral,' paving the way for potential rate cuts as inflation stabilizes.

In Q2 FY25, India's crude steel production grew by 2.7% YoY to 36.23mt, with consumption growth of 11.6% YoY and 4.2% QoQ to 37.09mt. We expect this strong demand momentum to persist, with steel demand likely growing by around 10%-11% in FY25. India's steel imports in Q2 jumped by 42.6% YoY to 3.18mt, while exports fell by 29.3% YoY to 1.27mt, making India a net importer once again for Q2 at 1.91mt and for H1 at 2.62mt. Meanwhile, China's elevated steel exports at 84mt (up 21% YoY) between January and September has dampened global steel prices and margins. Several countries have restricted Chinese steel imports, and the steel industry is engaging with the government to ensure fair competition. Recent anti-dumping investigations by the DGTR against Vietnam for hot-rolled steel and against China for CRNO Electrical steel are recent steps to protect the domestic market.

Consolidated Financial Performance – Q2 FY25:

Particulars (million tonnes)	Q2 FY25		Q1 FY25	
	Crude Steel Production	Sales	Crude Steel Production	Sales
Consolidated India Operations	6.63	5.96*	6.12	5.90
JSW Steel USA Ohio	0.14	0.17	0.23	0.22
JSW Steel Consolidated Operations	**6.77**	**6.13**	**6.35**	**6.12**

* Including 0.03 Mnt Sales from Trial run

Consolidated Crude Steel Production for the quarter stood at 6.77 million tonnes, higher by 7% YoY and QoQ. Capacity utilization at the Indian operations improved to 91% during the quarter, post completion of planned maintenance shutdowns at Dolvi and BPSL in the last quarter.

Steel Sales for the quarter stood at 6.13 million tonnes, lower by 3% YoY and flattish QoQ. Domestic sales at 5.57 million tonnes were the highest in any quarter, up 1% YoY and 5% QoQ. Sales volumes to the Institutional segment increased by 12% YoY. However, sales to Retail segment fell by 14% due to elevated imports. Exports at 0.39 million tonnes , fell by 43% YoY & 34% QoQ due to elevated Chinese exports adversely affecting global markets. Exports constituted 7% of sales from the Indian operations for Q2 FY25 vs. 10% of sales in Q1 FY25.

The Company registered Revenue from Operations of ₹39,684 crores and Operating EBITDA of ₹5,437 crores, with an EBITDA margin of 13.7% during the quarter. The EBITDA reduced by 1% QoQ as a sharp fall in steel realisations was largely offset by lower costs. The Profit after Tax for the quarter was ₹404 crores after considering an exceptional charge of ₹342 crores.

On 3rd August 2024, the Company had announced the surrender of the Jajang Iron Ore mine located in the district of Keonjhar, Odisha, due to operations being economically unviable. Subsequently, on 9th October 2024, the Indian Bureau of Mines approved the Final Mine Closure Plan. Pursuant to this approval, the Company has submitted an application for surrender of the mining block. The Company has recognised a net provision of ₹342 crores pertaining to the underlying carrying value of the assets including inventory and site restoration liability which has been disclosed as an exceptional item during the Quarter.

At the end of the Quarter, Net Gearing (Net Debt to Equity) stood at 1.04x as against 0.97x at the end of Q1 FY25, and Leverage (Net Debt to EBITDA) stood at 3.51x, as against 3.00x at the end of Q1 FY25. Net Debt as of 30th Sept 2024 stood at ₹85,098 crores, higher by ₹4,899 crores as against 30th June 2024 due to capex on ongoing expansion projects, acquisition of an effective stake of 20% in Illawarra coking coal asset and increase in working capital.

Indian Operations Performance – Q2 FY25:

Crude Steel Production at the Indian Operations for the Quarter was at 6.63 million tonnes, higher by 7% YoY and 8% QoQ. Steel Sales for the quarter were 5.96 million tonnes, lower by 4% YoY and higher by 1% QoQ. While exports were significantly lower, domestic sales were the highest ever, growing 5% QoQ and 1% YoY.

Operating EBITDA of the Indian Operations was ₹5,491 crores for the Quarter, lower by 29% YoY and higher by 1% QoQ. The EBITDA per ton was ₹9266 per ton and margin for the Quarter was 14.6%. Profit after Tax at ₹835 crores for the Quarter was down by 71% YoY and 28% QoQ.

Standalone Performance – Q2 FY25:

Standalone Crude Steel Production for the Quarter was at 5.77 million tonnes, higher by 7% YoY and 9% QoQ. Steel Sales for the quarter were 5.30 million tonnes, lower by 2% YoY and higher by 4% QoQ.

Standalone Revenue from Operations during the Quarter was ₹30,778 crores, lower by 9% YoY and 6% QoQ mainly due to lower sales realisations.

Standalone Operating EBITDA at ₹4,641 crores for the Quarter was lower by 33% YoY and higher by 9% QoQ. The EBITDA margin for the quarter was 15.1%. Standalone Profit after Tax of ₹1,299 crores for the quarter was down by 55% YoY and higher by 8% QoQ.

Performance of Subsidiaries – Q2 FY25:

Bhushan Power & Steel (BPSL):
During the quarter BPSL commissioned all major facilities to expand its capacity from 3.5 MTPA to 4.5 MTPA, which is under ramp-up . Crude Steel Production for the Quarter stood at 0.82 million tonnes and Sales volume at 0.74 million tonnes. Revenue from Operations and Operating EBITDA for the quarter stood at ₹4,900 crores and ₹431 crores, respectively. The EBITDA reduced by 36% QoQ mainly due to lower sales realization, shutdown costs and additional costs incurred for industrial gases which was partially compensated by lower raw material cost. BPSL reported a Loss of ₹93 crores for the quarter due to the lower EBITDA.

JSW Steel Coated Products (Consolidated):
During the quarter, JSW Steel Coated Products, including its subsidiary, registered a production volume (GI/GL, Tin, CRCA & other saleable products) of 1.08 million tonnes and sales volume of 0.99 million tonnes. Revenue from Operations for the quarter stood at ₹7,695 crores, and EBITDA was ₹341 crores. The EBITDA is lower by 7% on QoQ basis mainly due to lower realisations, partially offset by lower HRC prices. JSW Steel Coated Products reported a net profit of ₹57 crores for the quarter.

JSW Steel USA Ohio:
The EAF-based steel manufacturing facility in Ohio, USA, produced 1,56,137 net tonnes of Slabs during the quarter. Capacity utilization was 43% during the quarter due to maintenance shutdowns in September 2024. Sales volumes for the quarter stood at 59,148 net tonnes of HRC and 1,30,968 net tonnes of Slabs. It reported an EBITDA loss of US$ 16.14 million for the quarter, mainly due to lower sales realisation.

US Plate & Pipe Mill:
The Plate & Pipe Mill based in Texas, USA produced 1,08,969 net tonnes of Plates and 9,687 net tonnes of Pipes, reporting a capacity utilization of 44% and 7%, respectively, during the quarter. Sales volumes for the quarter stood at 99,902 net tonnes of Plates and 8,999 net tonnes of Pipes. It reported an EBITDA of US$ 5.04 million. EBITDA was lower QoQ due to lower input slab cost not fully offsetting lower plate prices.

Italy Operations:
The Italy based Rolled long products manufacturing facility produced 83,376 tonnes and sold 78,921 tonnes of rolled products during the quarter. It reported an EBITDA of Euro 6.15 million for the quarter.

Acquisition of thyssenkrupp Electrical Steel India Pvt. Ltd.

On October 18, 2024, the Company announced that Jsquare Electrical Steel Nashik Private Limited, a wholly owned subsidiary of JSW JFE Electrical Steel Private Limited, a 50:50 joint venture between the Company and JFE Steel Corporation, has entered into a share purchase agreement to acquire 100% of equity interest in thyssenkrupp Electrical Steel India Private Limited, and the Company has entered into other agreements including for licensing/transfer of associated technology package from thyssenkrupp group. The total purchase consideration is INR 4,051.40 crore, subject to closing adjustments.

In February 2024, the Company and JFE Steel had announced the formation of JSW JFE Electrical Steel Pvt. Ltd., a joint venture for the production of GOES at Vijayanagar Works. The joint venture is expected to commence full production in 2027. With the acquisition of thyssenkrupp Electrical Steel India, the Company and JFE Steel shall achieve instant market access and can promptly establish an integrated system from manufacturing to sales of GOES in India.

Energy Transition:

The Board of Directors earlier had approved to enter into Power Purchase Agreement for procurement of renewable power totaling to 1,637 MW at Vijayanagar, Dolvi, Salem and Anjar. Of this, capacity of 375 MW has already been commissioned, with further 580 MW to be commissioned by March 2025, and balance to be commissioned in phases.

The Board has further approved procurement of a hybrid renewable energy generation capacity of 600 MW (200 MW Solar and 400 MW Wind) at Dolvi, 60 MW at Salem and 210 MW at JSW Steel Coated Products, taking the total renewable energy generation capacity under procurement to 2,507MW. These additional capacities will be commissioned in FY 2027.

All the above renewable capacities are being set up under the group captive norms prescribed under the Electricity Act.

Update on Projects:

The Hot Strip Mill of the 5 MTPA project at Vijayanagar, set up by wholly owned subsidiary, JSW Vijayanagar Metallics Ltd. (JVML), was commissioned in March 2024. Subsequently, the Raw Material Handling System, Sinter Plant and the Blast Furnace have also been commissioned while the Steel Melt Shop is under commissioning. We expect ramp-up of the expansion project in Q4 FY25. In line with the ramp-up schedule, we have revised the shutdown of BF-3 at Vijayanagar for its expansion by 1.5 MTPA, to H1 FY26.

At BPSL, the Phase-II expansion from 3.5 MTPA to 4.5 MTPA has been completed and major equipment and facilities have been commissioned.

At JSW Steel Coated Products Ltd., commissioning activities have commenced at the colour coated line of 0.12 MTPA in Jammu & Kashmir.

The 30 MTPA slurry pipeline in Odisha is also progressing well, with commissioning expected in FY27.

The Company's consolidated capex spend during Q2 FY25 was ₹3,384 crores, and the total spend for H1 was ₹7,850 crores. We now expect consolidated capex for FY25 to be ₹16,000-17,000 crores as against the earlier estimate of ₹20,000 crores mainly due to transfer of Slurry Pipeline project to JSW Infrastructure, and rescheduling the BF-3 expansion to next year.

Outlook

The global economy is maintaining steady growth, with the IMF forecasting 3.2% for 2024 as well as 2025. Services and consumption remain resilient as key drivers of global growth, while manufacturing has faced some softness. Disinflation has triggered the start of a monetary easing cycle, with the US Fed cutting rates by 50bps in September and the ECB reducing rates by 25bps thrice. However, heightened geopolitical tensions, particularly in the Middle East, and rising trade frictions pose significant risks to global growth.

In the US, GDP growth remains resilient, led by robust consumption and investments though labour market is showing signs of softness. The US Fed has commenced monetary easing cycle with a 50bps cut in interest rates in September, aligned with falling inflation trend.

China has recently rolled out a series of stimulus measures aimed at boosting liquidity, consumer confidence and addressing the housing oversupply. Further initiatives could follow after the NPC meeting in November. Impact of these measures in reviving growth towards the targeted 5% for 2024 needs to be seen. Fixed assets investments excluding Property sector has seen expansion but at a slower pace.

Growth in Eurozone has remained muted, with manufacturing activity still subdued even though there is recovery from last year. The ongoing monetary policy easing to further boost recovery in consumption and overall economic activity.

In Japan, the economy is slowly recovering from the weakness experienced in H1 2024; however manufacturing activity is yet to pick up. Policy rates are expected to gradually inch up in the near future as the recovery strengthens.

The Indian economy has shown resilience despite reduced government spending due to the elections and weather-related disruptions in H1 FY25. The RBI has retained its 7.2% GDP growth forecast for FY25, with momentum expected to accelerate in H2. Public capex is set to pick up after a slow start, while private capex is trending positively amid rising capacity utilization. Rural recovery likely to manifest from an above-normal monsoon, strong kharif sowing, higher reservoir levels, and a favourable Rabi outlook.

In the auto sector, growth has been robust for two-wheelers, while other segments are seeing slower growth, though the ongoing festive season is expected to boost demand. Real estate remains a bright spot, with strong trends in both residential and commercial sectors, and significant traction in public housing through the new 30 million PMAY homes. Energy transition remains an important long-term driver for steel consumption, as India progresses towards its target of 500GW of renewable power by 2030. Steel demand is expected to remain healthy in H2 FY25. The RBI's shift in monetary policy stance to 'Neutral' from 'Withdrawal of Accommodation' is a positive move, paving the way for potential policy easing. Overall, the macroeconomic outlook remains strong, supported by moderating inflation, increasing forex reserves as well as lower fiscal and current account deficits.

About JSW Steel:

- JSW Steel is the flagship business of the diversified, US$ 24 billion JSW Group. As one of India's leading business houses, JSW Group also has interests in energy, infrastructure, cement, paints, realty, e-platforms, mobility, defense, 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 35.7 MTPA in India and the USA (including 5 MTPA under commissioning in India). Its next phase of growth will take its total capacity to 43.5 MTPA by September 2027. The Company's plant in Vijayanagar, Karnataka is the largest single-location steel-producing facility in India with current capacity of 17.5 MTPA (including 5 MTPA under commissioning).
- JSW Steel has always been at the forefront of research and innovation. It has a strategic collaboration with 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 2024), Leadership Rating (A-) in CDP climate change disclosure and A in CDP Water Disclosure (2023), Deming Prize for TQM for its facilities at Vijayanagar (2018), and Salem (2019). It is part of the Dow Jones World and Emerging Markets Sustainability Indices (DJSI), and included in S&P Global's Sustainability Yearbook (consecutively from 2020 to 2023).
- JSW Steel's SEED project has been awarded the Energy Transition Changemakers at COP28.
- JSW Steel is 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 CO_2 emission reduction goals are aligned with India's Climate Change commitments under the Paris Accord.
- JSW Steel aims to reduce its CO_2 emissions by 42% from its steel-making operations by 2030 and has committed to achieve net neutral in carbon emission for all operations under its direct control by 2050.
- 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, reducing water consumption in all operations and maintaining Zero Liquid Discharge.
- JSW Steel has emerged as an organisation with a strong work culture 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 and 2024) and one of India's best workplaces in Health & Wellness (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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