JINDAL

JINDAL SAW LTD

Highlights of Unaudited financial and operational performance (stand alone) for the 1st Quarter ended 30th June 2014

24th July 2014

Particulars	Q1 - FY15 (Unaudited) Rs in Mio June 30, 2014	Q4- Y14 (Unaudited) Rs in Mio Mar 31, 2014	Q1- FY14 (Un-Audited) Rs in Mio June 30, 2013	FY 14 (Audited) Rs in Mio Mar 31, 2014
Net Turnover	**11,451**	**13,631**	**12,067**	**55,030**
Other Operating Income	40	5	3	66
Other Income (*)	274	306	188	846
Total Expenditure:				
(Increase)/Decrease in Stock in trade and WIP	(1,317)	934	288	2,426
Consumption of Raw Material and Purchase of traded goods	7,405	6,240	7,594	31,405
Total Raw Material Cost	**6,088**	**7,174**	**7,882**	**33,831**
Staff Cost	859	767	680	3,002
Other Expenditure	2,924	4,068	2,084	12,073
EBITDA	**1,894**	**1,933**	**1,612**	**7,036**
Financial Charges	627	594	430	2,262
Depreciation	622	622	454	2,127
Exceptional Items - Significant changes in Rupee against USD (Net)	(105)	(85)	521	739
PBT	**750**	**802**	**207**	**1,908**
Provision for Tax	201	231	55	465
PAT	**549**	**571**	**152**	**1,443**
RATIOS				
EBITDA to Net Sales	16.52%	14.18%	13.36%	12.79%
RM to Net Sales	53.17%	52.63%	65.32%	61.48%
Finance cost to Net Sales	5.47%	4.36%	3.56%	4.11%
PBT to Net Sales	6.55%	5.88%	1.72%	3.47%
PAT to Net Sales	4.79%	4.19%	1.26%	2.63%
EPS- Fully Diluted (FV- Rs2/-)	1.99	2.07	0.55	6.10
EPS- Basic (FV- Rs2/-)	1.99	2.07	0.55	6.10

Notes:

a) Blended Pipe EBITDA, for the 1st quarter ended 30th June 2014 is app. Rs 7,200 PMT of total pipes sold (Appox.131500 MT). EBITDA for Pellet for similar period is app. Rs 2300 PMT.

b) Other Income has been shown separately for classification purposes but majority of the items are in the nature of operations and hence added to EBITDA.

c) Exceptional items primarily represent net result of amounts on account of reinstatement of foreign exchange denominated assets and liabilities (other than loan term foreign exchange denominated loans).

OPERATIONAL & FINANCIAL HIGHLIGHTS

The sales break up for 1st Quarter ended 30th June 2014 is given hereunder:

Products	Quantity Sold (MT)- app.
PIPES	
- Large Dia Pipes	
- L Saw	9,500
- H Saw	10,500
- Ductile Iron Pipes	76,500
- Pig Iron	13,800
- Seamless Tubes	35,000
IRON ORE Etc	
- Pellets	2,99,300
Total	**4,44,400**

Geographical Break up

- Sale in India - 78 %
- Sale outside India - 22 %

During 1st quarter ended 30th June 2014, the company produced (i) Pipes & pig Iron of app. 162,000 MT and (ii) Pellets - app. 300,000 MT

Operational performance:

During 1st Quarter ended 30th June 2014:

Saw Pipe Strategic Business Unit: Company has received additional orders for L Saw and H Saw and the current order book stands at app. 5,70,000 MT. Company produced app. 38,000 MT of Pipes which corresponds to the planned production and delivery schedules. The operations would ramp up gradually in line with the orders in hand.

DI and Pig Iron Strategic Business Unit: Operations have ramped up in this Quarter where company produced 77,300 MT DI Pipe and 13,500 MT of pig iron.

Seamless Strategic Business Unit: The demand of seamless pipes & tubes is stabilizing. We expect the situation to improve gradually. The production of seamless pipes in 1st quarter was app. 34,000 MT which is stable to the previous quarter.

Iron Ore Mines and Pellet Strategic Business Unit: Operations in Pellet plant have stabilized and Company produced app. 300,000 MT of Pellets in Q1 FY 15.

Order Book Position

- The current order book is app. 1033 million, the break up is as under:
  - Large Diameter Pipes – US$ 685 Mio
  - Ductile Iron Pipes – US$ 329 Mio
  - Seamless Pipes – US$ 19 Mio

  The orders for Large Diameter Pipes are slated to be executed by June 2015 and in case of Ductile Iron Pipes the same are slated to be executed over next 12-18 months or more. Company has participated in various bids and likely to get orders in phases. The current order book includes export of app 45%. The major exports orders are from Middle East, Gulf region and South East Asia and Far East.

Financing and Liquidity

As at 30th June 2014, net debt in the Company (standalone) was app. Rs 36,600 mio (app. USD 610 mio.) including ECB/ long term loans and fund based working capital and other unsecured loans. The loan includes app. Rs 8,360 Mio (app. USD 140 Mio) on account of buyers' credit. The business has already started ramping up and the working capital utilization may increase marginally.

Exception items - Foreign exchange loss on account of differences in foreign exchange transactions:

Given the nature of business, company has Foreign Currency Assets and Liabilities in the normal course of business. As in the past, company is expected to be a "net exporter" in the current financial year as well. In general, it is company's policy to manage these exposure on the net basis, i.e., company hedges only the difference between expected imports plus current liabilities and expected exports plus current assets.

In most cases, in order to match cash flows on net basis, company avails short term foreign currency loans (Buyers credit/ PCFC etc) from the banks to match foreign currency denominated payments to its suppliers with expected foreign currency denominated receivables on the contracts. However, due to Accounting Standard and accounting reasons, while liabilities thus crystallized appear on balance sheet and need to be translated at closing currency rates, expected receivables pending sale of goods are not reflected and reinstated in financial statements. This accounting treatment may result in realized /accounting gains or losses depending upon currency behavior during the period. As per accounting standards, stock of Raw material/ work in progress and finished goods (specially represented by imported material) is reflected at historical costs without adjustments of financial costs and change in foreign currency rates.

On balance, company, because it is a net exporter, is expected to be a net beneficiary in weakening Rupee environment.

STATUS OF NEW PROJECTS/ CAPITAL EXPENDITURES

Additional Projects/ new capital expenditures: Company has completed major projects including DI facility, Beneficiation and Pellet Plant at Bhilwara etc. We are now in the process of improvising the productivity of the various facilities, debottlenecking and introducing value added products especially in Seamless segment. Capacity of Beneficiation is being enhanced to take care of the low quality of the iron ore and increasing the production of Pellet with full reliance on the internal beneficiated iron ore concentrate.

Company Overview

The Company is India's most diversified manufacturer and supplier of pipe products for the energy, water sector and other industrial applications. Our customers include most of the world's leading oil and gas companies, municipal corporations as well as engineering companies engaged in constructing oil and gas gathering, water transportation system, power and automobiles facilities. Our principal products include (a) large diameter SAW pipes (Longitudinal Submerged Arc Welded (LSAW) and Helically Submerged Arc Welded (Spiral/ HSAW), (b) Seamless Tubes, and (c) Ductile Iron (DI) pipes. Our manufacturing facilities are located in various parts in western, northern and southern part of India. Our Indian production facilities produce pipes to meet global specifications and standards. We are one of the largest global producers of Ductile Iron pipes with manufacturing facilities in India, UAE and Europe.

The company has developed iron ore mine complex at Bhilwara (Rajasthan) with fully integrated facilities for ore extraction, beneficiation and Pellet production, at the mine head. Iron Ore Pellets are currently in demand for manufacture of Sponge Iron and other products. The Pellet plant is running at 100% capacity.

OUTLOOK

The Company's product portfolio includes LSAW and HSAW pipes, Seamless tubes and pipes, DI pipes of various grades and dimensions and Pellets. We are experiencing gradual improvement in demand and its major drivers. We still expect improvement in demand drivers in medium to long term. Due to oversupplied market conditions more specifically, there exist pressures on realization and profitability. Despite the prevailing conditions, potential opportunities are expected primarily from the implementation of new pipeline projects in the upcoming years, resurgent growth of the US economy, and increased demand from natural gas exploration operations.

Specific and renewed focus of Government of India on the Infrastructure including Hydrocarbon pipeline as well as urbanization would accelerate the demand of our products in near future. We expect that India would also need more pipelines for Oil& Gas, Water and industrial applications.

Due to improvement in the overall scenario, we expect that the Pellet demand would also improve in the country including west region.

Forward Looking Statements

This document contains statements that constitute "forward looking statements" including, without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to our future business developments and economic performance. While these forward looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that we have indicated could adversely affect our business and financial performance. Jindal Saw undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances.