

**Highlights of Financial and Operational performance for the First Quarter ended  
30<sup>th</sup> June 2018**

**1<sup>st</sup> August 2018**

**Announcement of financial results**

Jindal Saw Limited ("JSAW" or "the Company") reported its un-audited financial results for the First quarter ended 30<sup>th</sup> June 2018 which has been approved in the meeting of the Board of Directors held on 1st August 2018.

Particulars	Q1	Q1	Q4	
	FY-19	FY18	FY-18	FY-18
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Rs in Mio	Rs in Mio	Rs in Mio	Rs in Mio
	June 30,2018	June 30, 2017	March 31, 2018	March 31, 2018
<b>Total Income</b>	<b>23,460</b>	<b>15,126</b>	<b>24,888</b>	<b>75,559</b>
<b>Total Expenditure:</b>				
<b>Total Raw Material Cost</b>	<b>14,812</b>	<b>8,269</b>	<b>14,849</b>	<b>42,798</b>
Staff Cost	1,438	1,230	1,351	5,134
Other Expenses (\$)	3,706	3,307	4,328	15,030
<b>EBITDA</b>	<b>3,504</b>	<b>2,320</b>	<b>4,360</b>	<b>12,597</b>
Financial Costs (\$)	1,479	873	1,253	4,151
Depreciation	653	608	659	2,562
Profit before extra-ord. items, discontinued ops. and Tax	1,372	839	2,448	5,884
Exceptional Items -- (Exp)/income	-	-	-	-
Discontinued ops-profit/(loss)-Net of Tax	3	5	71	(85)
Profit before Tax (PBT)	<b>1,375</b>	<b>844</b>	<b>2,519</b>	<b>5,799</b>
Provision for Tax	421	203	865	1,941
<b>PAT</b>	<b>954</b>	<b>641</b>	<b>1,654</b>	<b>3,858</b>
<b>RATIOS</b>				
EBITDA to total income	14.93%	15.34%	17.52%	16.67%
PBT to total income	5.86%	5.56%	10.12%	7.65%
PAT to total income	4.07%	4.23%	6.64%	5.10%

**Notes:**

(\$) Q1 of FY 2019 has seen sharp movement and depreciation of Indian rupee against USD. Other Expenses and Finance Costs are net of the impact of Foreign exchange fluctuations on account of foreign exchange denominated items (borrowings, assets and liabilities).

The Company follows a policy and strategy of natural hedging of foreign exchange exposures.

## OPERATIONAL & FINANCIAL HIGHLIGHTS

Sales break up for 1st Quarter ended 30th June 2018 is given hereunder:

Products	Q1 – FY 19
PIPES	(MT)
- Large Diameter Saw Pipes	
- L Saw	98,900
- H Saw	93,900
- Ductile Iron Pipes	1,01,200
- Pig Iron	15,000
- Seamless Tubes	34,350
<b>Total – Pipes &amp; Pig Iron</b>	<b>3,43,350</b>
- Pellets	<b>2,80,800</b>
<b>Exports ( To Turnover )</b>	<b>~24%</b>

### **Operational performance:**

#### **Overall Productivity**

During 1st quarter ended 30<sup>th</sup> June 2018, Company produced (i) Pipes & pig Iron of app. 316,000 MT and (ii) Pellets - app. 3,45,000 MT. Whereas Pipes production is higher in Q1 of FY 2019 as compared to Q1 of FY 2018 however pellet production is lower in Q1 of FY 2019 as compared to Q1 of FY 2018 on account due to scheduled maintenance of pellet plant.

#### **Iron & Steel Segment performance - 1st Quarter ended 30<sup>th</sup> June 2018:**

**Saw Pipe Strategic Business Unit:** The current order book stands at app. 5.10 lakh MT. The order book comprises of 3.85 lakh MT of L Saw and balance 1.25 lac for H Saw (H Saw orders are largely from the domestic water sector). During Q1 of FY 2019, Company produced app. 1.71 lacs MT pipe as against 0.86 Lac MT of Pipes (including pipes for job work) in Q1 of FY 2018 which corresponds to the planned production and delivery schedules. We expect additional business opportunities primarily in domestic water sector.

**DI Pipes and Pig Iron Strategic Business Unit:** Operations were in line with the planned production in this Quarter where company has produced more than 0.92 lakh MT DI Pipe as compared to 0.94 Lakh MT in Q1 of FY 2018. Current order book stands at app. 4.02 lac MT of DI pipes. We expect good business opportunities in DI pipe segment.

**Seamless Pipes Strategic Business Unit:** The performance of Seamless segment remained consistent where we produced 37,700 MT pipes as compared to 39,700 MT pipes in Q1 in FY 2018. With current order book at app. 55,000 MT, Seamless pipe business is seeing positive outlook. The Company has also taken a seamless pipe & tube facility on long term lease in the State of Maharashtra. Presently, we are capable to produce pipes up to 7" Diameter with anti-corrosion coating however with marginal cost, we are currently working on the plans to expand our production range up to 16" diameter. We expect the impact of such increase in production range in FY 2019-20.

At a marginal cost the Company, through a JV, have set up a Stainless steel seamless tubes and welded pipe facility at Kosi Kalan, Uttar Pradesh and Samaghogha, Gujarat. The facility commenced commercial operations in FY 2018 and have received accreditations and approvals from majority of customers. The Facility has now also been approved by Engineers India Limited.

We are one of the unique companies which has wide range of products in stainless and carbon steel with facilities for seamless and welded segments. Our products offered import substitution. We are serving almost all industries including oil & gas, pulp & paper, food, pharmaceuticals, water and sanitation, petrochemical, boiler and heat exchangers as well as general engineering

**Iron Ore Mines and Pellet Strategic Business Unit:** Due to improvement in the iron ore prices and steel demand in the market, operations in Pellet plant were at optimal level except that the production was comparatively lower in the current quarter due to scheduled plant shut down for few days Company has also started exporting pellets to Japan and Korea. One shipment of pellets was booked in early July 2019 which has impacted the sale of pellets for Q1 of 2019.

### **Order Book Position**

- The current order book for pipes and pellets is app. US\$ 915 million, the break up is as under:
  - Large Diameter Pipes – US\$ 520 Mio
  - Ductile Iron Pipes – US\$ 314 Mio
  - Seamless Pipes & others – US\$ 66 Mio
  - Pellets – US\$ 15 Mio

With volume of app. 1.10 Million MT, Order Book has a visibility of next 9-12 months. The orders for Large Diameter Pipes are expected to be executed in next 9-12 months and in case of Ductile Iron Pipes the same are slated to be executed over next 12-15 months or more. Company is working on new business opportunities and expected to get additional orders in phases. The current order book includes export of app 35%.

### **Financing and Liquidity**

As at 30<sup>th</sup> June 2018, net institutional debt of the Company (at standalone level) was app. Rs. 43,000 Mio (~ Rs 44,120 Mio in March 2018) including long term loans and fund based working capital.

This includes Net working capital borrowings (short term) at at 30<sup>th</sup> June 2018 Rs 22,800 Mio (~ Rs 23,680 Mio at 31<sup>st</sup> March 2018) and Long-term Loans Rupee Loans / Rupee NCD of Rs 20,200 Mio (~ Rs 20,420 Mio at 31<sup>st</sup> March 2018).

### **External Credit Ratings**

The Company's debt instruments are rated by CARE Ratings which has issued A1(+) rating for short term facilities and AA (-) with "Positive Outlook" rating for long term debt facilities.

### **Status of New Projects / Capital Expenditures**

**Additional Projects/ new capital expenditures:** Company is incurring few capital expenditures for de-bottlenecking and for enhancement of the product range, quality and profitability etc. In light of the revival of steel industry, the Company is examining the viability of a Mini Steel Plant at Bhilwara (Rajasthan). However, no decision has yet been taken.

## Company Overview

We are a leading global manufacturer and supplier of Iron & steel pipe products and accessories with manufacturing facilities in India, USA, Europe and UAE (MENA). Our customers include world's leading oil and gas companies, water bodies as well as engineering companies engaged in constructing oil and gas gathering, transportation, power generation and other industrial applications.

We have a unique business model which in itself is diversified in terms of location, markets, products, industry and customers. This business model itself hedges various risks and allows us to operate and perform in most difficult economic and geopolitical scenarios. We are one of the largest exporters of Steel pipes out of India. Our business operations are highly structured with five strategic business divisions including SAW Pipes, DI Pipes & Fittings, Seamless and Stainless Steel Pipes and Tubes and Mining & Pellets.

We had interests in various businesses including infrastructure business along with the core business of pipe through our subsidiaries in India and overseas. In late 2014, we decided to remain in core business of Pipe and Pellets manufacturing and after the implementation of scheme of re-arrangement through a court approved process, we had demerged majority of non-core businesses.

## Outlook

Low penetration of pipes coupled with the various initiatives taken by the government – setting up National Gas Grid and revamping the water and sanitation infrastructure – provides domestic business opportunity of more than Rs. 30,000-crore which is expected to benefit the Indian Line Pipe industry. Further, With the government's increased thrust on improved water supply and sanitation infrastructure, the line pipe demand in India is expected to remain robust in the next few years. The projects funded by the World Bank and Asian Development Banks are scheduled to be completed by 2020 which shall be beneficial to the large diameter spirally welded pipes (HSAW) and Ductile Pipe players.

Further, after trading in a range between the mid-\$40s and \$50 per barrel (bbl), Brent crude is now trading near \$75. This is expected to provide boost to the Investments and Indian Pipe Industry can expect major demand from Middle East region. Being in close proximity to the Middle East, Indian companies have a competitive edge over other countries, as they are able to save on freight costs.

Export of pipes from India to countries like USA, Europe and Mexico etc have been impacted negatively due to imposition of anti-dumping duties on Indian Pipes however base demand is helping to keep the pace in respective segments. Further, the US Commerce Department on 20 June 2018 has come out with a notification whereby they have levied a preliminary countervailing duty of 541.15% on exports of welded pipes in the diameter size range of 16" and above. As the Company is currently not exporting any large diameter pipes to US and hence the CVD imposed will not have any direct impact on Jindal Saw's business.

Jindal Saw Limited being the only company having a diversified product range with multi locational manufacturing facilities catering and supporting the growing infrastructure sectors like water, oil & gas as well as other industries like automobile and power, is set to grow with the growth in the Indian and Global economies. As a growth strategy, the Company is making conscious efforts to move towards adding more value-added products.

***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.*