Highlights of Unaudited financial and operational performance (stand alone) for the 3rd Quarter ended 31th December 2013

30th Jan 2014

Given below are the financial highlights of the unaudited financial results for the 3rd quarter ended:

Particulars	**Q3 FY-13-14**	**Q3 FY12-13**	**Q2 FY-13-14**	**Q1 FY-13-14**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	Rs in Mio	**Rs in Mio**	**Rs in Mio**	**Rs in Mio**
	Dec 31, 2013	**Dec 31, 2012**	**Sep 30, 2013**	**June 30, 2013**
Net Turnover	**17,094**	**17,220**	**12,237**	**12,067**
Other Operating Income	2	7	57	3
Other Income (*)	145	226	207	188
Total Expenditure:				
(Increase)/Decrease in Stock in trade and WIP	1909	3,665	(704)	288
Consumption of Raw Material and Purchase of traded goods	9,163	8,926	8,408	7,594
Total Raw Material Cost	**11,072**	**12,591**	**7,704**	**7,882**
Staff Cost	787	642	767	680
Other Expenditure	3,579	2,409	2,340	2,085
EBITDA (*)	**1,803**	**1,811**	**1,690**	**1,611**
Interest & Finance Charges	692	418	547	430
Depreciation	539	386	513	454
Exceptional Items - Significant changes in Rupee against foreign Currencies (Net)	(28)	159	331	521
PBT	**600**	**848**	**299**	**206**
Provision for Tax	100	248	79	54
PAT	**500**	**600**	**220**	**152**
RATIOS				
EBITDA to Net Sales	10.55%	10.52%	13.81%	13.35%
RM to Net Sales	64.77%	73.12%	62.96%	65.32%
Finance cost to Net Sales	4.05%	2.43%	4.47%	3.56%
Other Expenditure to Net Sales	20.93%	13.98%	19.12%	17.27%
PBT to Net Sales	3.51%	4.92%	2.44%	1.71%
PAT to Net Sales	2.93%	3.48%	1.80%	1.26%
EPS- Fully Diluted (FV- Rs2/-)	1.81	2.17	0.79	0.55
EPS- Basic (FV- Rs2/-)	1.81	2.17	0.79	0.55

(*) *EBITDA includes Other Income as these are incidental to the main business of the Company but has been shown separately as per accounting standards.*

OPERATIONAL & FINANCIAL HIGHLIGHTS

The sales break up for 3rd Quarter ended 31st December 2013 is given hereunder:

Products	Quantity Sold (MT)- app.
PIPES	
- Large Dia Pipes	
- L Saw	60,900
- H Saw	40,000
- Ductile Iron Pipes	73,500
- Pig Iron	31,700
- Seamless Tubes	39,200
TOTAL PIPES SOLD	**245,300**
IRON ORE Etc	
- Pellets	**228,000**

Geographical Break up

- Sale in India - 64 %
- Sale outside India (exports) - 36 %

The Production for Q1 and Q2 in FY 13-14 are given hereunder:

Product	Production- Q3 MT	Production- Q2 MT	Production- Q1 MT
Pipes & Pig Iron	215,300	207,000	204,000
Pellets	226,600	137,000	37,000

Operational performance:

During 3rd Quarter ended 31st December 2013:

Saw Pipe Strategic Business Unit: The segment witnessed lower production due to lower order book and customer' delivery schedules however the sales were higher due to higher inventory in the previous quarter. The Company expects additional orders and improvement in business and operations in subsequent quarters. During Jan 2014, the Company

DI and Pig Iron Strategic Business Unit: Company produced app. 70,000 MT of DI pipes and 21000 MT of Pig Iron. The production and sales of DI pipes is ramping up with stabilization of second DI plant. DI exports in this quarter were app. 15%.

Seamless Strategic Business Unit: The activities in seamless pipes & tubes segment improved in third quarter also. We expect the situation to improve gradually. The production of seamless pipes in 3rd quarter was app.37,000 MT and exports sale was app. 53%.

Iron Ore Mines and Pellet Strategic Business Unit: Production and sales of Pellet have increased in 3rd quarter. The current capacity utilization is in excess of 80%. We expect the operations to improve further towards higher capacity utilization.

Order Book Position

- The current order book is app USD 560 Million or app. Rs 3500 Cr (previous quarter 475 million or app. Rs 3,000 Crores), the break up is as under:
    - Large Diameter Pipes – US$ 278 Mio
    - Ductile Iron Pipes – US$ 242 Mio
    - Seamless Pipes – US$ 40 Mio

  The orders for Large Diameter Pipes are slated to be executed by Sep 2014 and in case of Ductile Iron Pipes the same are slated to be executed over next 12-18 months depending on the delivery schedule of the customers. Company has participated in various bids and likely to get orders in phases. The current order book includes export of app 44%. Major export orders are from Middle East, Gulf region, Latin America etc.

Financing and Liquidity

a) As at 31st December 2013, net debt in the Company (standalone) was app. Rs 37,000 mio (app. USD 595 mio.) including ECB/ long term loans and fund based working capital and other unsecured loans. The loan includes buyer's credit of app. Rs 8600 mio (app. USD 138 Mio). The loans have increased marginally in this quarter as compared to previous Quarters due to on going Capital expenditures.

b) To meet the long term funds requirements, the Company has raised additional long term funds.

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

a) **Small Dia DI Pipe Plant:** Ductile Iron Plant (small dia DI pipe plant) with blast furnace capacity of app. 200,000 MTPA was put to commercial operation in the quarter ended 31st March 2013. Production has started and the capacity is being gradually ramped up as the production process gets stabilized. The Coke Oven facility and the incremental captive power generation facility related to the Ductile Iron Plant has now been commissioned. These facilities are expected to stabilize fully in the coming months.

b) **Greenfield Ductile Iron pipe facility in United Arab Emirates:** The Greenfield Ductile Iron Pipe facility in UAE is now commercially operational. The facility has received necessary product and quality approvals. With the concerted efforts its product has been approved in few countries in the region including Dubai, Abu Dhabi, Oman, Saudi Arab and the efforts to get pre approval in other countries are on way. The current book stands at app. 120,000 MT and company expects the same to improve gradually.

c) **Iron Ore Concentrate and Pellets:** The Pellet plant in Bhilwara has stabilized and its products are being well accepted in the market. The production of concentrate and Pellet will ramp up improve further in the coming months.

d) **Additional Projects/ new capital expenditures**: To meet the requirements of the Lease agreement as well as for maximum utilization of iron ore concentrate, Company is adding a Sponge iron and Steel Ingot plant in Rajasthan.

Company Overview

The Company is India's most diversified manufacturer and supplier of pipe products for the energy, water industry 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 secured Iron Ore Mines in Rajasthan on a 30 year lease and has set up facilities at the mine head for preparation of Iron Ore concentrate and production of Iron Ore pellets. Iron Ore Pellets are currently in demand for manufacture of Sponge Iron and other products. The company expects to set up facilities to produce Steel Ingot and Sponge Iron as a forward integration and further value addition.

OUTLOOK

The Company's product portfolio includes LSAW and HSAW pipes, Seamless tubes and pipes, DI pipes of various grades and dimensions and Pellets. Even though there is gradual improvement in demand and the trend in medium to long term looks better but the current demand scenario is still weak. Due to oversupplied market conditions, 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. Also, overcapacity conditions are expected to fade away in the coming years, as several megaprojects are set to be taken up across the world, particularly in regions such as Southeast Asia, Middle East, Africa, and Latin America etc.

In the short to medium terms, weaker market conditions leading to sub optimum capacity utilization especially in Saw Pipes and Seamless Pipes segments, higher petroleum prices, sharp fluctuations of currencies more particularly significant weakness in Indian Rupee against US Dollar, increasing financing costs etc. are likely to remain major issues. In additional to this, the global economic turmoil is likely to affect the sector and thus we anticipate that this trend of weakness may continue for some more time.

We expect that the Company will start getting the benefits of the investments made/ to be made in various projects including Iron Ore and Pallet plant which would add to the turnover and profitability of the company in the time to come.

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.