Highlights of Unaudited financial and operational performance (standalone) for 2nd Quarter ended 30th September 2015

13th November 2015

Particulars	Q2 FY-15-16	Q2 FY14-15	Q1 FY 15-16	H1 FY-15-16	H1 FY-14-15
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Rs in Mio	Rs in Mio	Rs in Mio	Rs in Mio	Rs in Mio
	Sep 30, 2015	Sep 30, 2014	June 30, 2015	Sep 30, 2015	Sep 30, 2014
Net Turnover	**13,177**	**15,895**	**19,082**	**32,259**	**27,346**
Other Operating Income	272	18	40	313	58
Other Income (*)	438	276	391	828	550
Total Expenditure:					
Increase/(Decrease) in Stock in trade and WIP	(144)	(2,029)	1,744	1,600	(3,345)
Consumption of Raw Material and Purchase of traded goods	7,825	10,644	9,867	17,692	18,049
Total Raw Material Cost	**7,681**	**8,615**	**11,611**	**19,292**	**14,704**
Staff Cost	1,084	912	1,055	2,139	1,772
Other Expenditure	2,798	4,292	3,930	6,728	7,216
EBITDA	**2,324**	**2,370**	**2,917**	**5,242**	**4,262**
Financial Charges	827	649	829	1,657	1,276
Depreciation	601	630	586	1,188	1,251
Exceptional Items - Significant changes in Rupee against USD (Net)	179	(50)	(45)	(133)	56
PBT	**717**	**1,041**	**1,547**	**2,264**	**1,791**
Provision for Tax	(294)	295	505	211	496
PAT	**1,011**	**746**	**1,042**	**2,053**	**1,295**
RATIOS					
EBITDA to Net Sales	17.64%	14.91%	15.29%	16.25%	15.59%
RM to Net Sales	58.29%	54.20%	60.85%	59.80%	53.77%
Finance cost to Net Sales	6.28%	4.08%	4.35%	5.14%	4.67%
PBT to Net Sales	5.44%	6.55%	8.11%	7.02%	6.55%
PAT to Net Sales	7.67%	4.69%	5.46%	6.36%	4.74%
EPS- Basic (FV- Rs2/-)	3.35	2.70	3.49	6.80	4.69
EPS- Fully Diluted (FV- Rs2/-)	3.16	2.70	3.26	6.42	4.69

Notes:

a) Blended Pipe EBITDA, for the 2nd quarter ended 30th Sep 2015 is app. Rs 10,000 PMT of sale of total pipes & pig Iron (213,341 MT) and for Pellets it was app. Rs 800 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 long term foreign exchange denominated loans).

OPERATIONAL & FINANCIAL HIGHLIGHTS

The sales break up for 2nd Quarter ended 30th Sep 2015 are given hereunder:

Products	**Quantity Sold (MT)- app.**
PIPES	
- Large Dia Pipes	
- L Saw	36,901
- H Saw	53,482
- Ductile Iron Pipes	88,715
- Pig Iron	14,483
- Seamless Tubes	19,760
Total – Pipes & Pig Iron	**213,341**
- Pellets	209,322
Grand Total	**422,663**

Geographical Break up

- Sale in India - 89 %
- Sale outside India - 11 %

Operational performance:

Overall Productivity

In terms of production and sales, 2nd Quarter ended 30th September 2015 has performed marginally softer as compared to 1st Quarter ended 30th June 2015 and 2nd quarter ended 30th Sep 2014.

During 2nd quarter ended 30th Sep 2015, company produced (i) Pipes & pig Iron of app. 220,000 MT and (ii) Pellets - app. 263,000 MT as compared to (i) Pipes & pig Iron of app. 230,000 MT and (ii) Pellets - app. 309,000 MT for the Sep 14 quarter in FY 15.

During 2nd Quarter ended 30th Sep 2015:

Saw Pipe Strategic Business Unit: The current order book stands at app. 5 lakh MT. Company produced app. 87,000 MT of Pipes which corresponds to the planned production and delivery schedules. Due to the seasonal issues and summer in Middle East, the quarter has seen softer sales which should improve in subsequent quarters. We also expect additional business opportunities primarily in domestic water sector.

DI and Pig Iron Strategic Business Unit: Operations were in line with the planned production in this Quarter where company has produced more than one lakh MT DI Pipe and 10,800 MT of pig iron. This is first time when the company has produced more than one lakh MT DI pipe in any quarter. Current order book stands at app. 375,000 MT of DI pipes. Due to fall in the commodity prices, we expect the sale prices to be softer.

Seamless Strategic Business Unit: The demand of seamless pipes remained weaker due to dumping of imported material in India mainly from China and imposition of anti-dumping duty by North America and Europe on OCTG products. In general, on account of continued weakness in the oil prices, the demand of OCTG pipes remained much weaker. The trend is likely to continue for some more time. Company is working on development of few new product lines in premium segment which will help to maintain the production and sales in line with capacities. The production of seamless pipes in 2nd quarter was app. 21,000 MT.

Iron Ore Mines and Pellet Strategic Business Unit: Due to sharp decline in the iron ore prices and availability of cheaper product in the market, operations in Pellet plant were contained and the Company produced app. 263,000 MT of Pellets in Q2 FY 15. We have seen and expect further decline in sale prices of pellets and hence the profitability in pellet unit may get impacted due to the same. Company is working on costs control measures to remain competitive.

Order Book Position

- The current order book for pipes and pellets is app. US$ 800 million, the break up is as under:
  - Large Diameter Pipes – US$ 500 Mio
  - Ductile Iron Pipes – US$ 280 Mio
  - Seamless Pipes & others – US$ 10 Mio
  - Pellets – US$ 10 Mio

The orders for Large Diameter Pipes are slated to be executed by June/ Sep 2016 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 is likely to get orders in phases. The current order book includes export of app 35%. The major exports orders are from Middle East, Gulf region and South East Asia and Far East.

Financing and Liquidity

As at 30th Sep 2015, net debt of the Company (at standalone level) was app. Rs 47,277 Mio (app. USD 718 mio.) including ECB/ long term loans and fund based working capital and other unsecured loans. This includes working capital loans of Rs 24355 mio (App. USD 370 mio) remained at elevated level due to higher order book etc.

Credit Ratings

The company has maintained its short term (A1 Plus) and long term credit (AA Minus) ratings. The same are reaffirmed by CARE in Oct 2015.

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. As we have availability of hot metal in the DI segment, the emphasis is on the maximization of the DI pipe production for higher value addition. This required some debottlenecking and increase in the finishing and other facilities in DI segment.

The Company has deferred its decision to implement Steel Plant at Bhilwara (Rajasthan)for the time being.

Company Overview

We are a leading global manufacturer and supplier of Iron & steel pipe products, fittings and accessories with manufacturing facilities in India, USA, Europe and UAE (MENA). Our customers include world's leading oil and gas companies, engineering companies and authorities dealing in irrigation and water resources engaged in construction of oil and gas exploration, transportation, power generation, supply of water for drinking and irrigation purposes and other industrial applications. We have a unique business model well diversified in terms of strategic locations, markets, products, industries and customers. This business model is built to hedge the organization against various risks which allows us to operate and perform well in difficult economic and geopolitical circumstances. Our domestic and exports markets are well balanced and our businesses operate through four strategic business divisions including SAW Pipes, DI Pipes & Fittings, Seamless Pipes & tubes and Mining & Pellets.

OUTLOOK

Company' product portfolio includes SAW Pipes (LSAW and HSAW pipes), Seamless tubes and pipes, DI pipes of various grades and dimensions and Pellets.

Oil & Gas sector- A continued weakness in oil prices on account of oversupplied market conditions coupled with the geo political and war like situation in MENA region may impact on the new demand for the pipes required for this sector and OCTG products etc. Further, due to fall in commodity prices, the sale prices are expected to weaken.

Water Sector: Specific and renewed focus of Government of India on the Infrastructure including Hydrocarbon pipeline as well as urbanization is expected to accelerate the demand of our products, in near future. We expect that India would also need more pipelines primarily for water and industrial applications.

Pellets: The weakness in the coal and iron ore prices along-with projections for the further weakness may keep a check on the sale prices of our products and thus profitability including pellets. A further decline in commodity prices and resultant sale prices of pellets may have an impact on the production and sale of pellets

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.