

JINDAL SAW ANNOUNCES Q2 FY21 RESULTS

Demonstrates consistent operational performance with healthy accretion to order booking

New Delhi, 9th November 2020:

Jindal Saw Limited, a leading global manufacturer and supplier of Iron & steel pipe products, pipe-accessories and pellets, with manufacturing facilities in India, USA and UAE (MENA), today announced its financial results for the quarter ended Sep 30, 2020.

THE FINANCIAL HIGHLIGHTS (STANDALONE) ARE AS FOLLOWS:

Particulars (Standalone financials)	Q2 FY21	Q2 FY20	HY 21	HY 20	FY20
	(Rs in Million)				
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Total Income (#)	20,208	23,990	34,264	50,280	103,274
Total Expenditure:					
Total Raw Material Cost (@)	10,789	14,233	18,558	30,507	62,766
Staff Cost	1,717	1,630	3,364	3,218	6,563
Other Expenses (#)	4,751	4,513	7,284	8,909	18,421
EBITDA	2,951	3,615	5,058	7,646	15,524
Financial Costs (#)	1,003	1,311	2,137	2,490	5,156
Depreciation	827	714	1,648	1,402	3,104
Profit before extra-ord. items, discontinued ops. and Tax	1,121	1,590	1,273	3,754	7,264
Exceptional Items – (Exp.)/income	-	(536)	-	(536)	(1,348)
Discontinued ops-profit/(loss)-Net of Tax	-	-	-	-	-
Profit before Tax (PBT)	1,121	1,054	1,273	3,218	5,916
Provision for Tax	377	(1,980)	428	(1,272)	(29)
PAT	744	3,034	845	4,490	5,945
RATIOS					
EBITDA to total income	14.60%	15.06%	14.76%	15.21%	15.03%
PBT to total income	5.55%	4.39%	3.72%	6.40%	5.73%
PAT to total income	3.68%	12.65%	2.47%	8.93%	5.76%

Notes:

(#) Total Income, Other Expenses and Finance Costs are net of the impact of foreign exchange fluctuations. The Company follows a policy and strategy of natural hedging of foreign exchange exposures.

(@) Total Raw Material Cost includes goods traded in for Rs 81 Mio for Q2 2021 and Rs 367 Mio. for Q2 2020.

OPERATIONAL & FINANCIAL HIGHLIGHTS

After the World Health Organization declared COVID-19 as a pandemic, the Indian Government imposed several restrictions and subsequently announced a nationwide lockdown on March 24, 2020. As a consequence, the business of the Company -was impacted, being significantly linked to a very efficient supply chain management. The operations and financials of the Company for the first quarter ended 30th June 2020 and partially - for the second quarter ended 30th September 2020 reflected the adverse impact of this 'once of a kind' lockdown.

However, the Company maintained functional continuity during this period, the entire manufacturing and supply infrastructure too was maintained in a state of preparedness, in order to resume operations at short notice, as and when feasible within extant regulations. Through the successive phases of un-locking, primarily since Q2-FY2021-, the Company successfully ramped up operations across all the plants in India. Despite the tough conditions, the company backed by efficiency of its workforce and robustness of processes - brought its facilities to operate at optimum level, amply reflecting in the below given financials for second quarter of FY2021 ended on 30th September, 2020.

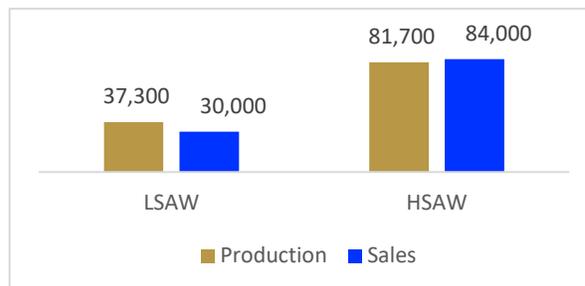
The quantitative Sales break up for the Second Quarter ended 30th September 2020 are given hereunder:

Products	Q2 21 (~) MT	Q2 20 (~) MT
PIPES		
- Large Diameter Saw Pipes		
- L Saw	30,000	77,000
- H Saw	84,000	63,000
- Ductile Iron Pipes	95,500	1,13,000
- Pig Iron	5,300	800
- Seamless & Stainless Tubes	34,000	34,000
Total – Pipes & Pig Iron	2,48,800	2,87,800
- Pellets	3,72,000	3,38,000

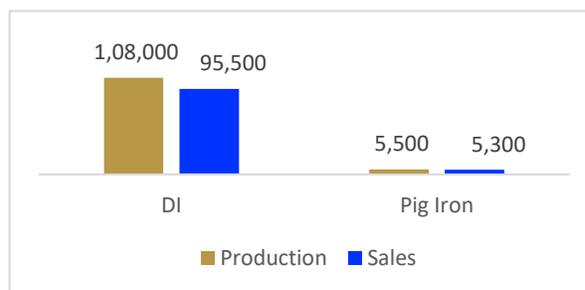
ANALYSIS OF Q2 FY2021

Production and Sales Tonnage (MT) break up for the quarter ended 30th September 2020.

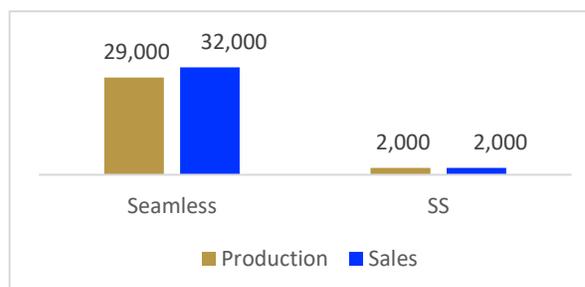
Large Diameter SAW Pipes



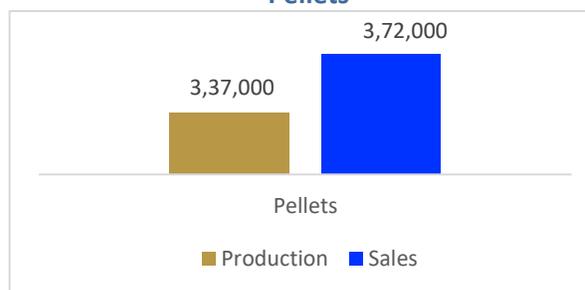
Ductile Iron Pipes and Pig Iron



Seamless Tubes & Pipes



Pellets



OPERATIONAL PERFORMANCE: OVERALL PRODUCTIVITY

- **During the quarter ended 30th September 2020;**
 - **The Company produced:**
 - ~ 2,63,500 MT of pipes & pig iron
 - ~ 3,37,000 MT pellets
 - **In line with its operational prowess and deep business lineage, the Company experienced robust order booking, primarily from the water sector, to the tune of Rs ~2,400 Cr.**

A detailed segment-wise review is presented below.

IRON & STEEL PIPE SEGMENT PERFORMANCE – Q2 FY2021:

Saw Pipe Strategic Business Unit:

During Q2 FY2021, the Company produced ~1.19 lac MT pipes as compared to ~1.67 Lac MT of Pipes in Q2 FY2020 which corresponds to the planned production and delivery schedule. The same was lower due to partial lockdown in various parts of the country resulting in supply chain disruption and changed focus of Govt. agencies towards medi-care projects to control the COVID-19 situation. Additionally, the geo-political situation internationally has created imbalances and uncertainties.

Focus on growth:

The Company has managed to solicit new business opportunities - during the 2nd quarter, order booking was robust, and it received new orders in excess of the execution level. The current order book stands at ~5.05 lac MT. The order book comprises of mix of orders 2.75 lac MT of H Saw and LSAW (H Saw orders are largely from the domestic water sector).

Order wins in the water segment together with the improved order book position overall underline the robustness of the model, quality of the offerings and deep understanding of the customer dynamics. Apart from this, based on the ongoing enquires in domestic and export markets for oil & gas sector and further increased focus of the Government on water sector, the Company expects to receive additional orders in the next few quarters

DI Pipes and Pig iron Strategic Business Unit:

During 2nd quarter of FY2021, operations were in line with the planned production in this quarter, where Company has produced more than 1.13 lac MT DI Pipe as compared to ~1.26 lac MT in Q2 of FY2020. However, Company experienced slow execution due to monsoon season, partial lockdown in various parts and other supply chain challenges with the customers.

Focus on growth:

Q2 of FY2021, witnessed increased order position showing signs of good visibility in this segment, which may continue in the coming quarters. Current order book has increased to ~5.70 lac MT of DI pipes which gives visibility for more than one year.

Company has booked large orders in water segment during the September quarter. Further, the increased focus of the Central and State governments on the water sector shall give additional boost to the business. The Company continues to explore asset light approaches to increase presence & production in this segment.

Seamless & Stainless Pipes Strategic Business Unit:

On account of downward trend in the oil & gas sector and the industry in general, the performance of Seamless pipes segment was subdued with the Company producing ~31,000 MT pipes in Q2 FY2021 as compared to ~37,000 MT pipes in Q2 FY2020.

Focus on growth:

The current order book in this segment is ~26,000 MT and is expected to build up well in line with - revival of activity in respective end user industries like automobile and power sector. During 2nd quarter, Company has got a large order from defence sector in stainless segment which will open doors for other sectors, as a leader in the industry.

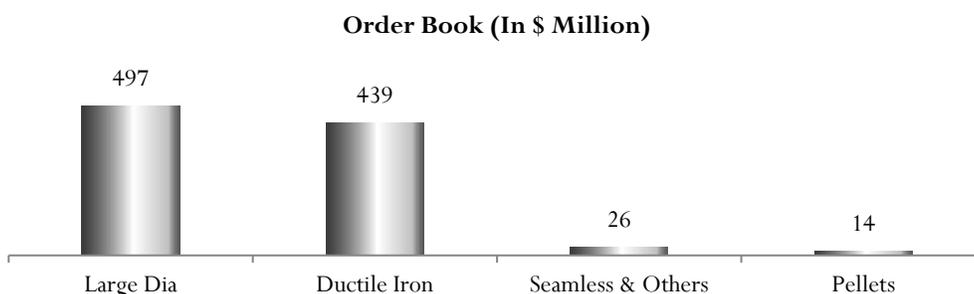
We are one of the unique companies which has wide range of products in stainless and carbon steel with facilities for seamless and welded segments. More importantly, our products offer import substitution. We are serving almost all industries including oil & gas, pulp & paper, food, pharmaceuticals, water and sanitation, petrochemical, boiler and heat exchangers as well as general engineering. This gives the Company unscalable unique advantage in market space.

Iron Ore Mines and Pellet Strategic Business Unit:

The Company produced ~337,000 MT in Q2 FY21 as against ~365,000 MT in Q2 FY20. The production was ramped up gradually in the quarter and now the plant is operating almost full capacity. In Q2 FY 21, the sale of pellets was ~ 372,000 MT, compared to production of ~337,000MT

Order Book Position

- The current order book for pipes and pellets is app. US\$ 976 million, the break-up is as under:



Despite the COVID 19, Challenges, during the Q2 quarter end 30th September 2020, as against Gross Sale of ~Rs.1,930 Crore, Company has booked new orders of ~Rs. 2,400 Crore. Major part of these orders has been booked in water sector. This is testament to -the Company’s experienced profile in key customer segments, world-class execution standards/ ethics and balance sheet flexibility to undertake production and deliveries during - extenuating circumstances.

With volume of ~1.20 Million MT (Pipes & Pellets), 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. The Company is working on new business opportunities and expected to get additional orders in phases. -Current order book includes export of ~25%.

Jindal SAW continues to benefit from a higher share of orders from private players and EPC contractors in its orders mix. Moreover, the end user industries spread is also well-balanced across core industries with distinct drivers in the domestic and export markets, thereby remaining assured of sustained flow of business.

Financing and Liquidity

As at 30th September, 2020, net institutional debt of the Company (at standalone level) was Rs. 36,579 Million (Rs. 38,538 Million at 30th June, 2020) including long term loans and fund based working capital. This includes Net working capital borrowings (short term) of Rs. 20,364 Million at 30th September, 2020 (Rs. 21,311 Million at 30th June, 2020) and Long-term Rupee Loans / Rupee NCDs of Rs. 16,215 Million at 30th September, 2020 (Rs. 17,228 Million at 30th June, 2020).

At the beginning of the lockdown, considering the uncertainties and to preserve the cashflows, the Company opted for 1st moratorium (as was announced by Reserve Bank of India) related to repayment of instalment, interest on term loans and interest on working capital facilities. However after resuming operations in May 2020, Company did not opt for 2nd moratorium and moreover - all the deferred payments of 1st moratorium were full paid to all the banks and FIs. Thus, at present the Company does not carry any impact of deferred payment obligations under any moratoriums as were announced by the Reserve Bank of India.

Update on Debt Position

Particulars (Rs. In Million)	As on Sept. 30, 2020	As on June 30, 2020
Standalone Debt	36,579	38,538
Consolidated Debt	45,121	46,422
<u>Break up of consolidated debt:</u>		
Long Term Debt	21,212	22,760
Short Term/ Working Capital Debt	23,909	23,662

KEY DEVELOPMENTS IN Q2 FY21

- UAE operations have become profitable in H1 FY21. Current order book is ~ 2,00,000 MT with confirmed LCs of USD 90 Mio. ~In H1 FY21, UAE operations are positive at net profit level.
- Company has not availed the 2nd moratorium from the financial institutions and paid all the deferred payments of 1st moratorium to all the banks and financial institutions.
- Decent order in-flow with new order bookings primarily in water segment during the September quarter.
- Jindal ITF Ltd. v/s NTPC case proceedings are going on in Hon'ble High Court of Delhi. However, due to COVID 19 hearing dates are being postponed.
- **During the quarter, CARE has reaffirmed AA (Stable outlook) rating for long term debt facilities and A1+ rating for short term debt facilities (including commercial papers).**

Initiatives undertaken against the spread of COVID-19

- All recommended precautions undertaken which includes sanitization and hygiene, temperature checks, maximizing video-conferencing and minimizing contact, closing employee travel, health and social distancing advisories to employees and following all government directions on the subject
- Promulgated BCP which includes working from home using technologies for connectivity and communication
- Setting up the quarantine centres across all plants and corporate office with adequate medical support.

Status of New Projects / Capital Expenditures

- Regular CAPEX expenses are being carried out for increase in production / productivity, enhancement of the product range, quality and profitability

External Credit Ratings

- During the Quarter, CARE Ratings has assigned and reaffirmed Company Ratings as follows :
- CARE A1+ (A OnePlus) for Short term debt facilities including commercial papers.
- CARE AA with 'Stable Outlook' for Long term debt facilities

OUTLOOK:

Global Scenario (Oil & Gas):

- The coronavirus (Covid-19) has created the biggest global crisis in generations, sending shock waves through health systems, economies, and societies around the world. Faced with an unprecedented situation, governments are focused on bringing the disease under control and reviving their economies.
- The energy sector is also severely affected by this crisis, which has slowed transport, trade and economic activity across the globe.
- The oil and gas pipelines segment is no exception, with several major upcoming pipeline projects in the US stalled due to adverse market conditions
- Demand for oil started – improving albeit slowly, - after lockdowns were relaxed-in Asia, Europe, and North America. China's oil demand, notably, has recovered to 90 percent of pre-Covid levels, and U.S. demand is also on the rise, judging by rising refinery runs as reported by the Energy Information Administration.
- The Company has received and expects new order in oil & gas segment including from export market.

Indian Scenario:

- In India, demand for steel pipes is expected to rise further from several oil and gas pipeline projects and water distribution projects which have been announced and lined up for implementation.
- India has laid down plans for expansion of national natural gas pipeline network to 27,000 km from the present 16,200 km
- Demand for clean water, rapid industrialization, Government policies and increasing population will remain the key driver for water demand. The Planning Commission, in its 12th Five Year Plan, for the period ending in 2018, has said that an investment of \$26.5 billion is required to provide safe water to all Indians.
- Government of India's initiatives like "Make in India" and Atmanirbhar (Self- reliant) Bharat will help improving the domestic manufacturing and reducing the imports. This will also help the pipe manufacturing sector to get major share of the domestic market.
- The Company has received new order in oil & gas segment including from export market.

Jindal Saw Growth Strategy:

The Company is making conscious efforts to move towards adding more value-added products, penetrate -new markets and increase production and productivity. Investments have judiciously been increased in higher ROCE segments, whilst de-subsidiarizing loss making entities in its fold. Jindal SAW's ROCE trajectory therefore is set to show healthy improvement through active delivery against a robust strategy.

-ENDS-

ABOUT JINDAL SAW LTD.

Jindal Saw (NSE – JINDALSAW, BSE - 500378) is a leading global manufacturer and supplier of Iron & steel pipe products and accessories with manufacturing facilities in India, USA and UAE (MENA). Their 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.

The Company has 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 the Company to operate and perform in most difficult economic and geopolitical scenarios. It is one of the largest exporters of Steel pipes out of India. Their 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.

Jindal Saw had interests in various businesses including infrastructure business along with the core business of pipe through subsidiaries in India and overseas. In late 2014, the Company 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, they had demerged majority of non-core businesses.

For more information, please visit <http://www.jindalsaw.com> OR contact:

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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.