

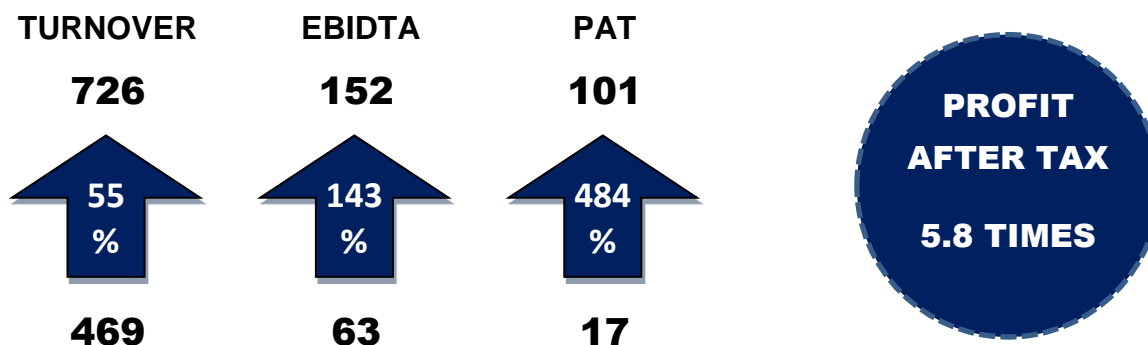
**PRESS RELEASE**

**Date: 8<sup>th</sup> January, 2018**

**FINANCIAL RESULTS FOR THE QUARTER ENDED 31<sup>ST</sup> DECEMBER, 2017**

**Q3FY2018 (YoY)**

(Rs. in Crores)



The Company has achieved a **Turnover of Rs. 726 crores** and **EBIDTA of Rs. 152 crores**, reflecting growth of 55% and 143% respectively over the corresponding quarter of the last financial year. After providing for interest, depreciation and tax, the **Net Profit** of the Company jumped **5.8 times to Rs. 101 crores** as against **Rs. 17 crores** in Q3FY17. The growth in the profitability is on the back of better sales realisation, higher volumes and major cost savings.

**Highlights:**

▪ **Steel Industry Outlook:**

“The dynamics of the Steel Industry evolved rapidly during the quarter on account of production cut in steel capacity taken by China, increase in exports by India, and improvement in domestic demand, thereby creating steel shortage indigenously and resulting in elevated steel prices.

Indian Steel sector is in the midst of a multi-year upcycle driven by higher spreads (on improving global steel dynamics) and rising domestic capacity utilization. This upcycle, which is led by supply discipline in China, is likely to see strong steel prices...” – *Goldman Sachs Equity Research*

▪ **Sales Realisation at all time high**

During Q3FY18, the domestic steel and ferro alloys prices have witnessed a steep rise of more than 20%, improving the turnover and profitability margins of the Company.

▪ **Growth in Sales Volumes**

During the quarter, the sales volume of semi-finished and finished steel products recorded a growth of over 39% as against the corresponding quarter of the last financial year.

The sales volume of PVC Pipes & Fittings recorded a growth of over 45% as against the corresponding quarter of the last financial year.

▪ **Higher Capacity Utilization**

With the installation of the 5<sup>th</sup> Sponge Iron Kiln, the Company's Integrated Steel Plant capacity stands at 1 Mn tonnes p.a. The plant has been operating at around 80% utilization level in Q3FY18, which is likely to operate at 100% capacity utilization. Subsequent to the installation of our 6<sup>th</sup> Sponge Iron Kiln by September, 2018, our rated capacity will go up to 1.2 Mn tonnes p.a.

▪ **Secured Coal Linkages**

The Company has secured 100% requirement of coal through Long Term Coal Linkages totalling 1.56 Mn tonnes p.a. for a period of 5 years, which has insulated the Company against the volatility in the prices of coal and has given stability in the supply chain. Total annual cost savings through these linkages is expected to be over Rs. 100 crores.

▪ **Update on Iron Ore Mines**

The Company is awaiting final regulatory clearances for its Sirkaguttu Iron Ore Mine in Odisha and hence, expects mining operations to start by April 2018. The Kawardha Iron Ore Mine in Chhattisgarh is likely to be commissioned by April 2019.

▪ **Next Phase of Growth in Steel**

The Company is firming up plans to expand its 1.2 Mn tonnes p.a. integrated steel plant capacity to 3 Mn tonnes p.a. at its existing location in Champa, Chhattisgarh over the next 5 years in a phased manner. The expansion is being planned entirely through internal accruals.

▪ **PVC Pipes Division**

- The Company is doubling its PVC Pipes and Fittings capacity to 1,10,000 TPA in a phased manner by September 2019.
- The Company is extending the brand '*Prakash*<sup>®</sup>' by penetrating into new territories and enhancing the product mix.
- Current growth trajectory is expected to be supported by the Government's focus on housing, rural infrastructure, agriculture, and irrigation.
- The Scheme of Demerger is filed with SEBI and Stock Exchanges. Their approval is expected shortly.

- **Reduction of Debt**

The Company has reduced its Debt by around Rs. 160 Crores during the nine months ended 31<sup>st</sup> December, 2017. Loan accounts with all the lenders are regular. Further, the Company is confident to be debt free in the next two years.

- **SEBI order:**

The Company wishes to place on record its appreciation towards SEBI for revoking its earlier order dated 7<sup>th</sup> August, 2017 regarding suspected shell company, which was inadvertently issued.

- **Forward Guidance**

The EBITDA margin has grown gradually from 12% in FY17 to 17% in Q1FY18, further to 19% in Q2FY18, and to 21% in Q3FY18. We are expecting a further improvement in the margin to around 25% in Q4FY18.

Our capacity utilisation in Q4FY18 is expected to be near 100% which will help us to achieve higher sales volume and turnover.

Owing to above factors and favourable market outlook, the sales volume and turnover are likely to witness growth of around 35% and 60% respectively in Q4FY18 (YoY).

*Disclaimer: This release contains forward-looking statements based on the currently held beliefs and assumptions of the management of Prakash Industries Limited (PIL), which are expressed in good faith and, in their opinion, reasonable. Forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or industry results, to differ materially from the results or performance implied by such forward-looking statements. The risks and uncertainties, relating to these statements include but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition within Steel Industry including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, reduced demand for steel, withdrawal of fiscal governmental incentives, political instability, legal restrictions on raising capital and general economic conditions affecting our industry. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to update any forward looking statements that may be made from time to time by or on behalf of the Company.*