

“Jindal Saw Limited’s Q1 FY23 Earnings Conference Call”

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MODERATOR: MR. VIKASH SINGH – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED



Moderator: Ladies and gentlemen, good day and welcome to Jindal Saw Limited's Q1 FY23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Singh from PhillipCapital (India) Private Limited. Thank you, and over to you, Mr. Singh.

Vikash Singh: Good evening, everyone. On behalf of PhillipCapital, I would like to welcome you all on Jindal Saw, Q1 FY23 Conference Call. From the management side, we have Mr. Neeraj Kumar – Group CEO and Whole Time Director, Mr. Vinay Gupta – President and Head, Treasury, Mr. Narendra Mantri – President, Head Commercial and CFO and Mr. Rajeev Goyal. So, without taking much time, I would like to hand over the call to Mr. Neeraj Kumar for the opening comments. Over to you, sir.

Neeraj Kumar: Good afternoon to all our stakeholders. Friends on Friday we had our board meeting, where we announced our first quarter results which is standalone as well as consolidated. The gross income was Rs. 3,019 crore with an EBITDA of Rs. 255 crore, PBT of Rs. 37 crore, PAT of Rs. 28 crore these are all standalone numbers. Since the other group companies contribution in the consolidation is not very much or very large significance, we would focus on the standalone numbers a little more.

So, if you are now look at these results, Q1 FY-2022 top line was Rs. 2,477 crore which is the comparable quarter, trailing quarter was Rs. 3,345 crore. If you now correlate this with our order book position, this gives us enough comfort that now the demand is picking up and we expect the year to end on a very robust note. On all our business segments, we are seeing a healthy demand in terms of the deal flow or in terms of outlook. Raw material consumption continues to be a matter of concern for all of us. The other matter of concern is finance expenses, which is now moved away from Rs. 97 crore to Rs. 131 crore. The major contribution on one side you have a positive on the top line which gives a very good and a healthy order book plus a trajectory for growth ahead. For this quarter, raw material and finance charges are something which has caused the EBITDA to drop to Rs. 255 crore as opposed to Rs. 412 crore for the comparable quarter and Rs. 391 crore for the trailing quarter.

Let's first deal with a simple finance expenses:

This is nothing but primarily because of the fluctuation in the foreign exchange as we all know last quarter it has seen a lot of volatility in the dollar rupee market. So, that is a large contributor to the increase in foreign exchange expenses because the accounting treatment requires that the negative must be booked as the financial expenses even though when there is a positive build actually it comes to the top line when it comes to the receivables. So this quarter happens to be the year whereas as per the accounting, the exchange has put us on the wrong foot.



The raw material, we all know what the whole world commodity market has gone through. Just to take a comparison of coal, which is now around 200 and it used to be, it went up to 600. So, it has gone very volatile and unprecedented level of cost for commodities like coal, iron ore, which has kind of put our inventory and consumption at a very high level. This did suppress the result for this quarter. but the good news is that now we are booking orders we are seeing a very robust growth. Commodity market has largely corrected itself and we see that that trend should continue. So, going forward, the second quarter may still have some residual impact of raw material, but definitely the way the raw material bookings, etc., are happening. We are very, very confident of the second half that we would reap the benefits of the reversal in the commodity price at this point of time, as well as the robust order book that we are seeing and the orders that we have booked. So, that is about the raw material.

As far as coal is concerned, we have long term contracts. For economies of scale, we take one shipment per quarter, which we import those coal which has provided us with a very stable raw material, actually the price, the contract is such that the quantity and the periodicity they are all confirmed, the price is fixed spot. So, even though we have taken precautions for kind of hedging our raw material but this time because of the extreme spike, the hedging mechanism didn't work or didn't had a minimal impact. So, we did have one or two shipments, so as I said, Q2 also may have some residual impact on the volatility in the raw material prices. But beyond that, we see a very, very good outlook.

So, on that, let me then turn my attention to the gross consolidated or the consolidated results. There, again if you see the PAT does show a marginal red, but it's primarily because in Abu Dhabi facility which is again, we have a very good order book and is operating well. But there again, we got hit by the raw material which is pig iron. Pig iron has been hit in Abu Dhabi primarily because of the (A), commodity prices, (B), Russia Ukraine war. But now we have stabilized, we have found alternate market to buy it from and going forward that should be again stabilized. So, nothing beyond that in consolidated view, except that the performance of Abu Dhabi was less than expected on account of the change in raw material prices.

As you would see deliberately as a strategy to contain our exposure towards the volatility of the raw material, we had brought down our order book from the usual comfort level to around 60% to 65%. Now, you would see a trend where the order book is going to swell up to our comfort level which will be around a billion dollars. Order book at this point of time is largely driven by a very strong tailwind in the domestic market. If you look at Europe, there is a question mark because at this point of time even if there are some orders, we are not very much sure how Europe is going to perform if the recession happens. We are not sure how Russia Ukraine war will pan out, we are that way relieved to see that at least now the China, Taiwan conflict is not in the immediate near it may be somewhere distant, but at least the way it was panning out appearing we had some concerns, but that is a sense of relief.

US is sending some very strong signals. US is giving good demand, inflation is high which is kind of squeezing the credit control there, which is a mixed bag for us. But there is demand in oil and gas. In India, the water segment is going to drive the growth. The other is the new



segments or the new markers that we are entering which is seamless stainless alloy, and now with Hunting, this combination is going to be very, very formidable, the Hunting joint venture is moving towards a soft launch in this year for sure, we are targeting that if we can do that towards the end of this calendar year or beginning of the first calendar quarter next year. That plus this seamless stainless and alloy combination that basket is becoming very formidable. We are likely to get a lot of orders, or a lot of tenders are in the pipeline from ONGC and that would give us a lot of comfort. So Hunting, joint venture once it comes into play.

We also have now signed an exclusive technology transfer with OSI USA, that's again a very specialized oil and gas company across the globe, we would become their exclusive partners in India. So we have signed that exclusive arrangement and that would give us even a strong foothold in the OCTC market.

So to give the sense, the good thing that we are seeing is large Dia because of the water sector is coming back, oil and gas also in large Dia we are seeing a good traction we have got some very good wins. As the commodity prices moves, we are seeing a little bit of softening on the pellet prices. But that's expected and that's okay because that is getting more than compensated by the players in the pipes.

With that, broadly, I've covered the standalone as well as consolidated results at a high level. One thing that I'm sure is all of you would be looking at is the update on NTPC. The next date for NTPC is September 6th and 7th. This time the judge has given two dates and therefore, we expect that the arguments would begin on merits. Once that happens, then we are very hopeful that we should be able to close this process soon. So with that, let me pause and take some questions. For the questions, I have my colleagues Vinay and Narendra wherever the numbers are required, they would assist. One request that if you have something which is very, very specific or a very small nitty gritty number, if we do not have the answer around the table now, please send a mail. Rajeev is sitting, he will note down or, he would expect a mail from you. We would be answering by mail as well if something that is a minor detail for which we may not have those numbers on the table for now. Let me stop here. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from line of Pratiksha Daftary from Aequitas. Please go ahead.

Pratiksha Daftary: My first question was if you could quantify the Forex expense that is included in our finance cost right now, for this quarter, what is the impact of Forex?

Neeraj Kumar: It will be in the tune of upwards of Rs. 40 crore, say between Rs. 40 and 45 crore.

Pratiksha Daftary: Okay, alright. And in the last quarter commentary you had mentioned that for SAW pipes and DI pipes we had covered our raw material, so in the order book raw material was covered. So, if you could just update us on the position for current order book?



- Neeraj Kumar:** Again, what you would see that there is a lag in the raw material, but as I explained to you in coal, where we get four large shipments in coal per year. So, there the contract is, it's a framework arrangement, the coal prices are fixed on the monthly average in which the supply takes place. So that is more or less on spot. This at least has given us a sure supply of good coal, which is largely imported.
- Pratiksha Daftary:** Okay. And how about the metal sir?
- Neeraj Kumar:** Say it again.
- Pratiksha Daftary:** Metal, for the steel as per DI and SAW pipe there is steel also that cover order book?
- Neeraj Kumar:** Yes, the steel now we have booked the raw material prices, for future where LCs, etc., I have opened, when the market was very volatile, then the suppliers were also shying away from getting into a contract which was anything beyond that a very short delivery period. Because what we have seen in the commodity market is absolutely unprecedented. So, that kind of disruption all the market order or the trade arrangements that we had, but now they have all come back to normal it looks like it will normalize and therefore we are able to block or book raw materials.
- Pratiksha Daftary:** We should see margin deterioration even in the next quarter from these levels.
- Neeraj Kumar:** We should see not margin deterioration, we should see pressure what we expect Q3, Q4 to be absolutely fantastic where we should actually see an upswing major. Q2 should be a residual impact so it would be under pressure, but maybe a little better than Q1.
- Pratiksha Daftary:** Okay. And on seamless front, if you could just highlight on the export, the quantum, the export opportunity there and also.
- Neeraj Kumar:** Export we are doing very well. In seamless business, stainless business, Ukraine was a major supplier to the world. So, that supply has been kind of vacated which gives opportunities for us, new players to enter. So export is doing well. We are getting very good prices and we want to build on it, we want to consolidate on it.
- Pratiksha Daftary:** So, from an existing order book, how much would be exports and seamless?
- Neeraj Kumar:** Export in terms of a top line you would see around 30%.
- Pratiksha Daftary:** And order book?
- Management:** So, seamless order book on June 30th is close to 120 million and exports are approximately.
- Management:** , 30% So this is 70:30.
- Pratiksha Daftary:** Okay. And so we've seen our order book to be pretty range bound for the last two, three quarters?



- Management:** You will see that now increasing, because as the raw material prices have stabilized, we would go for longer delivery, and you will see the order book build up.
- Pratiksha Daftary:** Sir, we do expect volume growth for seamless for this year?
- Management:** We do expect, yes seamless as well as stainless.
- Pratiksha Daftary:** Okay, all right. And on UAE front again we've seen that our order book for last three quarters has been fairly lower as compared to few quarters before that. So how do we look at?
- Management:** We are likely to close the year higher than last year. And as I said, it was a deliberate strategy to keep the order book low so that we don't get exposed to long delivery versus the volatile raw material prices, now the order book will build, we have a very healthy pipeline at the year end, we expect it to be better than this year, means 31st March 22.
- Pratiksha Daftary:** Okay. And we would expect margins also to improve given the raw material prices?
- Management:** Yes, the raw material prices have improved.
- Pratiksha Daftary:** Okay. And just one last question on other expenses. Is there any one off this time we have seen a sharp increase in other expenses this quarter?
- Management:** Other expenses is dependent upon the order, suppose if there are certain DDP contracts, because of that the freight and the duties are also linked to that contract and that is covered under other expenses.
- Management:** So, you cannot predict a pattern that so, this is essentially because a larger portion of DDP contracts have been executed during this quarter.
- Pratiksha Daftary:** Okay. And if you could just comment on the trajectory for your working capital loan given that we expect the prices to soften, would we expect the working capital loans also to trim down going ahead?
- Management:** Yes. So, eventually working capital intensity was higher for the quarter ended 30th June primarily for two reasons. Number one, as you yourself mentioned the price were higher. Number two, now we started booking the raw material for the new orders to block the prices but moving forward with the softening of the raw material prices, we expect that the raw material intensity in terms of total working capital borrowing can go down but not very significantly, because we are looking for increasing the production and the sale quantity.
- Moderator:** Thank you. The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.



Abhishek Maheshwari: So, a follow up on the previous question regarding working capital debt. There will be slight reduction in WC debt in coming quarters, can you share the effective interest rate that we are looking at right now including the current data that we had from RBI?

Management: Okay. So, the rate which is a mix of Rupee and the USD was close to 6.5% for the last quarter. We don't expect significant increase in this quarter because it depends on the pricing done in the sanction. But yes, for the balance period, we expect an increase of roughly 25 basis points in general.

Abhishek Maheshwari: And second, in previous concall, you had mentioned about consolidating the organization structure somewhat, you have around 27 subsidiaries and associates and you had said that you will be merging some of your subsidiary companies with your parent company. How is that process going?

Management: So, there was basically a merger of three associate/ subsidiaries which in Jindal Fitting, Jindal Quality and JTIL, so this merger has been now approved by the NSE and BSE and this is going on. This has been recently approved by the BSE, NSE. The process is being followed

Abhishek Maheshwari: Okay. And thirdly, how much inventory do you keep in the sense that you generally contract for three months inventory or maybe six months inventory and if suppose the time such as this, when things are very, very volatile do you keep one month inventory and keep changing on it. So, how does that work, can you explain?

Management: It really depends on the product mix, because for the longitudinal helical pipes, this is back-to-back in the sense these are made to order inventory. So, there is no concept of a commodity. So, inventories are always a specific to the order, and they are made to order inventory. Now, in terms of ductile iron pipes, the raw material is coking coal and the iron ore. Coking coal, we take broadly three ships in a year, and this is given as per the schedule, three to four ships and it really depends when the ship is coming, delivery time is given and the iron ore we are buying practically every day. Normally the iron ore inventory would be in the vicinity of three to five weeks' time. So, this is not like we are keeping the inventory as in like we will keep three months or five months it is at very specific product wise inventory.

Abhishek Maheshwari: Okay, thank you very much. And lastly, you mentioned that during Q2 there might be some spillover effect of high-cost inventory of Q1, but Q3 and Q4 you're expecting them to be really good. Can we expect the margin levels for H2 of the financial year to be relatively same as the previous year or a little better then?

Management: That would be some forward-looking statements. But what we have said is that H2 looks better than the H1.

Abhishek Maheshwari: Okay, but you cannot give any particular number, it will be equivalent to previous year?

Management: We are not permitted to say that so, we are giving like H2 will be better than H1.



- Moderator:** Thank you very much. The next question is from the line of Sneha Jain from Brickwork Ratings. Please go ahead.
- Sneha Jain:** I just wanted to confirm, do we have any price escalation clauses, because a lot of our orders are Government based. So, how about these escalations and all?
- Management:** We have succeeded in persuading the Government to include price variation clause that was one of the strategy that we had adopted, conscious strategy that going forward, we must get this included in our government contracts especially when we went through such volatile and I'm happy to let you know that yes. Now, many of the Government contracts are including price variation clause.
- Sneha Jain:** Okay. So, out of this US\$ 733 million order book position, how much we can presume is from the Government entities and are backed by the price escalation clause?
- Management:** Roughly 60% would be Government, the rest would be EPC. So, you can say roughly 60 to 65% we will be covered by price variation clause.
- Sneha Jain:** And what would be the tentative variation percentage if we talk about?
- Management:** Variation okay, you get covered, you get compensated more or less at 80%, 85% because they are linking it to pig iron in most of their cases which is a right indicator to link it.
- Sneha Jain:** Okay, thank you. And, as you said, regarding this amalgamation of three entities, it was recently approved by NSE and BSE. So, by when we can expect some updates in the financials towards the end of this financial year only?
- Management:** The answer is yes; the effective date is now 1st of April 2022. So, whenever it happens, you will get to see that but for all practical purposes, you can assume that these three entities have been amalgamated and merged. This would again help us position Jindal Saw in a much, much stronger position. Thank you.
- Moderator:** Thank you. The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.
- Akshay Kothari:** Sir, regarding the case of Jindal ITF versus NTPC have we received that amount of around Rs. 1,900 crore or not?
- Management:** Maybe you have missed my initial part. The matter is in the High Court, at this point of time, the hearing is in September first week, 6th, 7th September. We have received an interim award of about Rs. 850 crore against bank guarantee. But otherwise, we will have to wait for the High Court to, there is an appeal available the award is already in our favor, unanimous award. So, the appeal is what is in progress at present.



- Akshay Kothari:** Okay. You mentioned somewhere in the opening comments that due to unprecedented price rise in commodities, hedging mechanism did not work. So, just wanted to understand what would be our hedging cost as such for the full year?
- Management:** No, when I said hedging. So, we have either natural hedge, or we book prices we do not have in India, the commodities, or the future market, and we do not operate in that. So, the cost is no implicit cost in it.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** Given that the demand environment is now positive, and the commodity prices are stabilizing, what kind of volume growth we can expect in FY23, in pipe segment, particularly?
- Management:** Pipe segments you should see a healthy growth in terms of what we ended last year at, so we should see a growth over that.
- Anurag Patil:** Okay. And would it be fair to say the major growth will come from the DI part of the business?
- Management:** Both DI and large dia.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** When we look at the volume data for Q1 and compare it with last year's Q1, we have seen lower execution on all the verticals except seamless. So, even the pellet is down, so could you explain what was the reason for lower execution for this quarter?
- Management:** I've already explained to you it was primarily because the higher you would have executed the more the impact of the raw material, higher price raw material would have been there. So, the whole idea of when is the raw material prices if you see in LSAW, HSAW, DI all of these, if you compare your Q1, FY2022, we are on the lower side which was primarily because we are trying to contain our supplies and trying to curtail the hit on the raw material.
- Saket Kapoor:** And still we are left with a portion of the order book that is the execution?
- Management:** Yes, some part, some residue.
- Saket Kapoor:** In percentage terms, can you give some color to the same?
- Management:** Say it again?
- Saket Kapoor:** In percentage terms what portion of our current order book is still at lower prices, and we will take a hit on the margin?



- Management:** Okay. In the second quarter you could take maybe 60:40, 60 would be the residual raw material, 40 would be new orders, or orders with new raw material.
- Saket Kapoor:** What are the current maturities that are there for FY23 and how are we looking to pay or whether you are going in terms of loan maturity?
- Management:** Okay, loan. How much is the repayment obligation?
- Saket Kapoor:** Yes, sir.
- Management:** Just, Rs. 300 crore.
- Management:** So, Rs. 300 crore is what is payable during this year, Rs. 225 crore has already been paid.
- Management:** Rs. 225 crore is remaining, Rs. 75 crore has been paid I'm sorry for that. So, there cash flow wise we are okay, loan wise we are okay, .
- Saket Kapoor:** Two small questions, around the Sathavahana, you did mention that it is still at RP part and due to some litigation purpose and all it is still pending?
- Management:** Very soon, we are hopeful to get the nod from NCLT because as you know one of the creditors have filed a case or objection to the NCLT and it is now lying with the president of NCLT to finally adjudicate the order. We are hopeful that it should go in our favor. And it should happen pretty soon.
- Saket Kapoor:** And we have already spent the Rs. 250 crore on modernization of the plant and what is the update on that?
- Management:** So, that is different, there are two things which are happening parallelly, one there is a repair and maintenance contract that we have got, we have said that 250 which is completely safe, we would get a chance to recover that going forward. So, there is no doubt about that, that has been used to speed up the commissioning of the plant, the plant is getting ready now to get commissioned. And then on the parallel path is the NCLT process, where Jindal Saw is also a interested bidder and is very much in the race. So, these two are parallel path, independent path in which case the plant Sathavahana plant would get commissioned soon, we hope that it will get commissioned during this calendar year. And by then, if the NCLT results come in our favor. So, that would give us a head start to get this plant up and running and operational very soon.
- Saket Kapoor:** Right. On the non-core assets any more light you want to share, some assets were lined up?
- Management:** Yes, you would see some movement in non-core assets both on the consolidated basis as well as on the standalone basis, loans, advances, non-core assets, there is a work plan which is definitely progressing and before this year end, we should see some definitely noticeable or even significant movement on those parts.



- Saket Kapoor:** And the size you can share?
- Management:** No, at this point of time, since those transactions are all under negotiation or there is an exclusivity that we have, but I can tell you that it would be something which will be noticeable. The other important thing that I wish to mention is that now both; JWIL which is the EPC they have started doing very well. So, whatever is the old outstanding, you would see that on the standalone balance sheet. There is a certain return in loans and advances. The waste to energy business is not taking any more support from anywhere they have in fact started returning support, four of the plants would be operational very soon. So, those two businesses have become profitable and are looking really good.
- Saket Kapoor:** Okay. And the last point, out of the total remuneration paid to KMPs including you, Mr. Mantri and Mr. Vinay. How much is the fixed part and how much is performance and when is your renewal is due Mr. Neeraj?
- Neeraj Kumar:** Mostly everything is, you can say 95% would be kind of fixed. And it happens every March. Every March is our appraisal cycle.
- Saket Kapoor:** Okay. There's no variable change or no performance payment as such?
- Neeraj Kumar:** There is a portion which is there, which is linked to SAR that's what I told you. That's about 95% is kind of fixed.
- Saket Kapoor:** Okay. And your terms comes up for renewal when?
- Neeraj Kumar:** Probably next year is when it will come for renewal.
- Moderator:** Thank you. The next question is from the line of Vikash Singh from PhillipCapital. Please go ahead.
- Vikash Singh:** I want to understand what is our bid book position currently versus what it was five, six months back how it has been moved in last six months?
- Management:** Order book?
- Vikash Singh:** Bid book position, orders for which we had bided.
- Management:** I have already covered it; growth is very healthy. A lot more demand is being, a lot of inquiries, a lot of serious inquiries in terms of converting it into negotiations, discussions. And we see a very robust and a healthy bid book.
- Vikash Singh:** So, that is largely on the water side in India, if I believe from your opening remarks?
- Management:** No, I'll tell you water, oil, and gas and in exports seamless.



- Vikash Singh:** Understood. In your comments, you said that Europe is currently kind of a gray area where nobody can tell for sure. But there's another theme which is running parallelly, which is the Europe shifting from Russia and oil and gas basically, but that they might need a huge CAPEX and bring a new pipeline. So just wanted to understand your thought process on the same and how much of that area is an addressable market for us?
- Management:** Europe wanting to move away from Russia, yes. But will all that translate into pipelines, not sure. Because they are also looking at LNG terminals, they are looking at shipments because they have to fill that gap immediately. So, pipe is a good transporting solution, but it's a long-term transporting solution. So, at this point of time A), Europe has to find that money if they want to make that kind of investment. If it gets into recession, it will be that much more difficult. Plus, at least in the interim phase, temporary phase, Europe has to look at ways to fill that gap. And therefore, we still have because, if it gets into recession, then making investments into large pipelines would be an issue. And they also have to find first stable suppliers in terms of where would they get this from because then once you build a LNG terminal, then they have options to import it from multiple locations. But building a pipeline then first they have to find a stable supplier.
- Vikash Singh:** Understood. In terms of our Abu Dhabi plant, is this Saudi water market also addressable by us because I was just reading somewhere that Saudi has a very big water CAPEX plans for the next three to four years.
- Management:** Correct. Saudi is one of the primary markets that we address to because of the geographical proximity.
- Vikash Singh:** Understood. Just one thing, since our DI pipe capacity has already been running to kind of a near to full potential, and we are giving a volume guidance of a higher volume. So, is it coming from, SAW pipes where you're seeing the larger part of the growth or is the seamless and if you could just explain a bit on those also?
- Management:** As I said all, and we are also hopeful that in DI if the NCLT comes in our favor then there could be some towards the end of the year capacity increase or supply increase even in DI.
- Vikash Singh:** Okay. So, our existing capacity which was roughly 5 lakh tonne is it any way or debottlenecking where we can take up to 5,50,000 or 6 lakh or that 4,50,000 can go at max 5 lakh only and then we have to basically pray that the Sathavahana lands in our lap.
- Management:** So, you're talking about DI?
- Vikash Singh:** It's something about our existing DI capacity because the way I see that the next three to four years is going to be very good for DI pipe players a lot of demand is pending. So, just wanted to understand since our capacity we have some capacity constraint there?



- Management:** No, capacity constraints like now, we have put two more finishing line which is now focused on exports. So, to that extent the capacity is balanced, now it is getting balanced properly we are going to get now on our hot metal because we have two blast furnaces and the hot metal is what is going to be constraint now and therefore in summery going beyond 550, etc., is not possible.
- Moderator:** The next follow up is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.
- Abhishek Maheshwari:** I wanted to know apart from Sathavahana and Hunting JV, you don't have any other CAPEX lined up at the moment, right?
- Management:** No major CAPEX, some related CAPEX with respect to Hunting and OSI is there but yes, apart from these, there is no major CAPEX in line.
- Abhishek Maheshwari:** Any measures that we are undertaking to improve our debt to equity and reduce the debt portion, because we are already operating at less than our current installed capacity?
- Management:** When you say debt to equity, I hope you are meaning our long-term debt to equity, which I would put it in a very healthy category, because our long-term debt is less than Rs. 2,000 crore, and the networth is more than Rs. 6,000 crore. Now, when you have a working capital, when you add that typically should not be a part of the debt-to-equity ratio, because working capital is a part of the trade finance which is related to operations.
- Abhishek Maheshwari:** No. I understand that the debt : equity is also less than 1, but I'm just saying that since we are already operating at less than optimum utilization, but then we are still acquiring Sathavahana and also, I understand that you want to gain some foothold in South India also. But, what's the strategy.
- Management:** At this point in time the term loan profile is very nicely balanced. So, there is no need to either accelerate because year-on-year we have cash flow burden of approximately Rs. 300 to 400 crore which gives us comfort in terms of conserving the cash for operations and other things.
- Abhishek Maheshwari:** But no major CAPEX planned apart from this?
- Management:** No, I have already said so, but your question about Sathavahana. Sathavahana is going to give us a significant advantage in terms of incremental capacity and then two locations, one in South and one in West, that also will kind of give us a strategic and competitive advantage because freight outward is something that we must watch when we are looking at pipes.
- Abhishek Maheshwari:** Okay, so that's DI pipes and regarding the SAW pipes, we have like a very good capacity there, which is running at low utilizations.
- Management:** We are seeing now some orders coming there especially in the water sector.



Moderator: Thank you. Next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: On the volume front, I missed your deliverable for FY23. How are we lined to end the year in terms of the delivery schedules for pipes. And, I have another question about the value creation ideas taking into account the working environment has been really tough for us because of the decrease of the commodity prices and that is relevant to all pipe companies. But over and above, what step we have only the professional management present here and nobody represent from the promoter side, since they are the largest shareholder, but would like to understand steps like creating separate vertical, steps like going for a buyback, steps like creating acquisition, what's the thought process of the team in terms of these assets, since investors having invested in Jindal Saw over a period of time have been losing a lot, so firstly is it a cause of concern for the team or not because whoever is representing us on the board today are professional people who are there to discuss the numbers, discuss the outflow, discuss the way how things are today and what it can be shaping up tomorrow. But in terms of value creation, when it comes up the right value ascertain to your stock, which is trading on the stock market, you have limited power and it is only to the promoters that these questions could be very well answered. So, your take on that please?

Management: You would get a chance to have the promoters, the Chairman in the shareholders meeting. So, there you would be able to ask them if you want to ask them the questions what you have in mind from them. As far as we are concerned, as I have always been saying, the concern is always there because the market cap if you see of this company is far below than what is desired. So, it is a matter of concern, it is a matter of something that we look at very, very closely every day. But we do understand that there is some overhang of a few things, one of them being NTPC. So, we hope once we see some traction on the NTPC arbitration, we hope that the market starts valuing us the way we should, because in terms of if you see the kind of initiatives that should have been taken either on the corporate or on the operating side or on the loans and advances. Corporate as you know now, we are only a company focused on the core businesses as we define it. Operating side probably we have one of the best performances if you take any benchmark, loans and advances also things are now beginning to move. So, if you look at the fundamentals, every time we discuss this, everything that needs to be done, all boxes are ticked, but still the market cap or still the market is not reacting to all of these, because now we feel there are some extraneous factors and there is an overhang on those factors, which is there. So, we hope that things should get better. And we are working towards it. We are not leaving anything unturned plus whatever is your feedback, it is always discussed. And we always keep everybody informed in terms of the questions that they have.

Moderator: Thank you very much. I now hand the conference over to Mr. Vikash Singh for closing comments.

Vikash Singh: Thank you. On behalf of PhillipCapital, I thank you all for joining the conference. And Jindal Saw management for giving us the opportunity, over to you Neeraj sir for any closing comment.



Neeraj Kumar:

I wish to close this by a big thank you to all of you, as always. We fully have a sense of the anxiety and the concerns that you people have in terms of market cap, not reacting to even though the issue that we are all grappling with is, that if you look at the fundamentals of the company, they are very, very strong look at their credit rating, look at the performance by itself. Compare it over a period of time, that kind of things that we have gone through in the last two quarters, again gives us a lot of confidence that indeed, the fundamentals are very robust. We are taking steps towards value add, i.e., Hunting, i.e., Sathavahana, all of those are steps which are going to consolidate and improve. But yet, the market cap is not giving us or is not reflecting all the efforts that are being put or the status of the companies. That's a matter of concern for all of us. And we hope that we would be able to correct that soon because of these extraneous factors, one of them being the NTPC arbitration award. So, with that, I thank you very much. We would be back with the second quarter or first half yearly results. And hopefully we would have a lot more good news to share then. Thank you, bye.

Moderator:

Thank you very much. On behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.

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