



“Jindal Saw Limited  
Q3 FY ‘23 Earnings Conference Call”  
January 30, 2023



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**MODERATOR:** **MR. VIKASH SINGH – PHILLIPCAPITAL INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Jindal Saw Q3 FY '23 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 assistance during the conference call please signal an operator by pressing star then zero 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, sir.

**Vikash Singh:** Good afternoon, everyone. A very warm welcome on Jindal Saw Q3 FY '23 Earnings Call. From the management side today, we have with us Mr. Neeraj Kumar, Group CEO and Whole-Time Director; Mr. Vinay Gupta, President and Head Treasury; and Mr. Narendra Mantri, President, Head Commercial and CFO.

Without taking much of the time, I would just hand over the call to Mr. Neeraj for the opening remarks. Over to you, sir.

**Neeraj Kumar:** Good afternoon to shareholders, stakeholders, friends. Last week, we had our board meeting, and I hope all of you have received the note that we circulate, which is customary after the board meeting. Just to go over some of the highlights of the performance on the standalone and consolidated basis, this quarter, we had a turnover of INR 4,641 crores as compared to INR 3,367 crores trailing quarter, INR 2,851 crores last quarter, which is, respectively, 38% and 63% growth.

EBITDA of INR 598, INR 301, INR 202. However, let me point out upfront out of these INR 598, INR 113 is an accounting entry, it's not a real income. It is something that has to be recognized as per the accounting standard. And therefore, if you remove that INR 598, minus INR 113 is INR 485. So, INR 485 has shown a growth of EBITDA, 61% and 140%, respectively, for the last two quarters as we are comparing.

The financial expenses, INR 138 versus INR 126 last quarter. Out of this INR 138, if you see there is our financial cost, INR 13 crores has been because of the foreign exchange fluctuations addition to the top line is 19 crores So, the net gain of ~5 Cr. So overall, if you look at the performance, as we have been saying and as we have been waiting, the performance is impressive. It is a healthy growth.

It is all the parameters that you would look at in our performance has improved and has shown a trend which gives us a comfort that indeed, we have had all round and a comprehensive improvement in the performance, which has been under some kind of a pressure in the last few quarters because of the reasons that we have been explaining. And we have always given a hope to all our friends and investors that this is a temporary blip for which enough actions are being taken, and we should be out of it. And this quarter is the first indicator. Now indeed, we are on the path of progress which is actually a result of a lot of hard work, a lot of management input that has gone in setting up the business model that we have today.

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Namingly, first is the variable price. If you look at the last few quarters, the performance has been largely suppressed, not because of the top line got suppressed, but because the raw material prices they're completely out of whack. We have succeeded in getting most of our clients, including government clients to accept now the real price model for the revenue there, one of the key or two of the key benchmark parameters in the raw material prices, where the raw material prices are correlated actually is the index based on which there is a variable price mechanism for the top line. That has begun to show results. Going forward, it would take its more impact.

The other very important thing, which has started showing results is, our effort and focus on moving up the value chain, moving towards premium products, moving towards value-added products and moving towards this segment, which hitherto has not been addressed by the domestic players.

So Atmanirbhar Bharat has helped us in that effort. Now we have been able to substitute a lot of products from import into domestic sector where we have been the predominant supplier. So, on the business side, these two are very significant development within the system, which is giving us a lot of comfort that going forward, we will continue to bear good results on the back of these two important factors.

If we now look at our consolidated results, again, just to broadly take the numbers, top line INR 5,202 as compared to INR 4,067, INR 3,509 EBITDA 539, here, we don't need to reduce that INR 113 because that's a contra entry, whilst we take the consolidated results. So, INR 539 as compared to INR 355 and INR 242.

Again, a similar result where you would see that not only Jindal Saw performance has improved, all other subsidiaries are now contributing in a positive manner in the EBITDA. At the EBITDA level, even down below, so all subsidiaries are beginning to do well, except for this quarter, the Abu Dhabi subsidiary, as compared to the comparable quarter last year, the performance has been a little lower, but that's again a temporary phenomenon. We have enough order book. Now the supply chain is there. And hopefully, towards the end of the fourth quarter, there should be some catching up that must happen.

But a good result overall that all our subsidiaries are now contributing to the business, and that is shown in the consolidated results. Another very important thing that -- on which we have always been keeping a very strong eye on and have been showing the trend is the debt profile of the company. Even though on top of our top line growth on top of a very good performance, we have actually been able to bring the net debt down either at a consolidated level or at a stand-alone level.

Everywhere across the board, the loan continues to come down, even though trade finance is very much a part and parcel of our operations. The long-term debt is now hovering around INR 1,200 crores for Jindal Saw on a net worth of over INR 6,000 crores. By any standards, we are

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in a very, very healthy position when it comes to debt servicing, when it comes to the interest and repayment obligation.

So on our debt position, the balance sheet continues to remain strong, continue to build strong, and we intend to keep that trend. We intend to keep that tight control on our debt position going forward. So that broadly covers the high-level performance indicators that I have given. Some of the key drivers that we have said, namely the value-added product as well as the variable price that we have been able to achieve. So broadly, this is where.

Now let's look at the second important thing when you see a result like this in a quarter. I'm absolutely certain the first thing would -- all of you want to know is it is this sustainable, do we have a momentum? And is this more by oil by hard work or is this just by chance. I wish to give you comfort that this is a result of a diligent hard work that we have been doing and that all of you, even if you are seeing our results, there is a certain pattern that is emerging, there is a certain consistency that we have in our performance.

Obviously, we have faced extraordinary situations in terms of commodity price in terms of pandemic. But still on the core operations, there has been a certain amount of consistency. And that continues, that will be the backbone on which we are confident that the next few quarters, our performance would remain very strong. If you look at the order book -- very healthy order book on all segments and very balanced, both in terms of domestic as well as international exports.

The way the rupee is moving that also is giving us comfort that at least we do not have any major foreign exchange risk as it is the never use foreign exchange position for speculative purposes. We are usually hedging based on a conservative strategy, but that again gives us comfort that on that front, on our export businesses, we shall not be putting any of our revenues at risk.

So a healthy order book, good mix of export versus domestic, 35% roughly is our export order book, which is healthy, confirmed and this kind of an order book, which is about \$1.3 billion, which if you recall, just a few quarters back was deliberately kept at lower than our sweet spot, which is around \$1 billion.

So now since we are ready, we have got a lot of capacity available in the large dia. The large dia order book deliberately, we have swelled and we will continue to perform. There is no constraint on the capacity side. So large dia business is likely to be now a driver for the next quarter or so. We also have some significant export orders in the basket, very large orders where we would maintain the delivery we would maintain now the revenue stream, it will all be there.

So looking at the performance and the order book and our positioning in the market, we are confident that the momentum would continue and we should have a good next few quarters that is something that we are very, very confident about. As I said, one of the strength, would be the premium segment that we are entering, be it tellers, be it seamless, everywhere the premium

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segment has continued – will continue to improve our EBITDA percentage will continue or improve our margins.

The important aspect is that now the JV, with Hunting. The machineries are under trial. We have already applied for the API license and as we say the soft launch is -- will happen anytime soon. definitely during this year and hopefully, early next year, that means by the mid of calendar year '23, we should have the grand opening of the JV between Jindal and Hunting. Everything is on track. All the machines have been delivered. The trials are going on. As I said, API license has been applied and will continue to help us once we have this moving.

Now the China is an important factor, has always been an important factor in our business. But I hope a combination of many factors, probably the impact of China on our business would become lesser as we continue because now there is some antidumping duty. There is some other protection which is available.

So that is going to reduce the impact on our business and that makes us feel confident that the China story, we would now continue to do our business more independently than what the impact of China or influence of China would be on our business.

One good thing that also we are seeing is there is a certain amount of stability in the raw material prices. The raw material prices have not gone back to the pre-COVID levels. But the volatility has largely reduced and slowly, we are seeing the trend where they are settling to a more reasonable level. So that being what we have at this point of time, with the order book, is again, is not a matter of concern for us.

Looking at the now domestic situation. One thing that I must emphasize that even though we have a healthy order book, but we continue to focus on the domestic market more. Going forward a few quarters, if I look forward again, our emphasis is on domestic market because we believe that the global recession would have a lesser impact on the domestic market because in India, the demand supply, especially in the kind of products that we are kind of balances itself.

So with Atmanirbhar Bharat in place kind of giving the domestic market that kind of a protection and with a demand supply kind of matching we continue to focus our attention on domestic market, and we believe that this would actually counter a global recession, assuming what now people are saying about US and Europe were to happen. Still, we believe that our businesses would not get impacted to that extent.

And therefore, we are basing our strategy on a strong India strategy, our strong support from -- under Atmanirbhar Bharat and therefore a limited impact on the global recession. Most of our order book that are there, we again believe are from countries which would continue with their projects because there has been a lot of pent-up demand in oil and gas sector post pandemic.

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So we believe that these projects that we have in our order book will go to fusion will go for a complete -- and some of the projects are very large projects and very important projects for those respective countries. So, we hope that they will definitely work.

Oil and gas is one sector where we are seeing some domestic buying because of the prices and again, some pent-up demand, so both the Oil India, ONGC everywhere. We are seeing some healthy buying and we hope this will continue.

Another very important aspect is now we are entering the election year and therefore, we believe that this budget, which is going to come, the national budget I'm talking about, will continue to lay emphasis on the infrastructure projects, on the water projects on these projects because now we are running the last year of this government. That again gives us confidence that we have a good visibility and the momentum that we need will continue for the next three to four quarters, for sure, based on the government support to the infrastructure project just before the election year.

But last not the least, two news; A, we are awaiting the NCNT order on Sathavahana, any moment. Everything has been cleared. The order has been reserved by the judges. So we expect the order to get announced, no sooner than it is announced. I'm sure we would inform all of you via the stock change.

And again, NTPC, GITEF, we have continued to talk about it. But now it is late for hearing in March. Anyway, if you see the impact of that, even though it's a high aggregate number on the overall business is getting diminished year by day because our other businesses are growing.

So with that, I think I should halt. I hope I have covered all the aspects. And I would leave some time for questions answers. My request, let's try and finish this by five because there is something which is important which we have to -- which I have to look after at five.

So let me leave enough time for some questions and answers. Thank you all. Thank you.

**Moderator:** The first question is from the line of Riya from Aequitas Investments.

**Riya:** My first question is the -- in terms of what kind of pipeline or the bid book are we seeing in terms of oil and gas as well as the Jal Jeevan order book?

**Neeraj Kumar:** If you see the 60,000, which is about \$94 million, LSAW large dia is completely oil and gas. And out of the 337 million of large dia in, HSAW a significant part, probably 20% is in oil and gas.

**Riya:** And in terms of the order, basically, the pipeline, what kind of orders are you seeing in the future apart from the current order book, which we have?

**Neeraj Kumar:** Very healthy. See normally, we do not speculate on the sales funnel. We don't announce. But at this point of time, the sales funnel is very, very healthy. I can give you that assurance.

**Riya:** My next question would be in terms of Jal Jeevan, kind of execution are we seeing considering the election coming up? And what kind of order inflows are coming from that?

**Neeraj Kumar:** At this point of time, we are all running full capacity. And Jal Jeevan just even the way they are announcing projects in all the states, I think we will continue to run full capacity. That is where I'm caveating Sathavahana order getting announced, will add another maybe 2 lakh-plus tons to our ductile iron pipe facility. In Samaghogha, we are continuing to do well, and hopefully, we'll do more than 5-lakh tons there for sure. So overall, then we would have a run rate capacity of 7.5%, which I think would keep us busy for the entire Jal Jeevan mission water projects.

**Riya:** And I think we received last quarter or I think it was for NEOM. So how is the execution for that? And could you give more details on the order?

**Neeraj Kumar:** Sorry, which one?

**Riya:** The NEOM.

**Neeraj Kumar:** Yes, the NEOM, we are expecting the advance any time. Once we get the advance, then we count 12 to 15 months for the execution of that. And that's a fairly large value contract. It's about over \$300 million. But once we receive the advance, then we call -- then we look at 15 months from there. So hopefully, if we get the advance here, then the next full year, most of the projects should be executed. That is one big project that I was telling you about in terms of the export order being water and being for the new capital city, which is being built in Saudi. So that should be a good project, and we hope that it will progress as planned.

**Riya:** Also, my next question would be in terms of the order book currently, almost 35% is from exports. Could you give me a geographical breakup for this?

**Neeraj Kumar:** What breakup you need?

**Riya:** Export order book breakup.

**Neeraj Kumar:** It's already given. 35% is the export order. So what further breakup are you looking for?

**Riya:** Country wise?

**Neeraj Kumar:** Normally, we don't give those because while the reason why we don't want to give you country-wise because we don't want to confuse. Many times what I have seen, that giving too much details where people have a small span of attention, it creates more confusion than -- but as you know, out of these major export order of 466, 300 is NEOM. Plus, we have some very good projects in the Middle East. Europe, we have some large ductile projects. Saudi, we have some large DI projects, but we don't usually give the country-wise breakup because then we also have a product mix. So that metric becomes too much complex.

**Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital.

- Deepak Poddar:** So sir, I just wanted to understand, in your opening remarks, you mentioned that you expect EBITDA margin to continue to improve, right? So what sort of steady state EBITDA margin because I think before this raw material ascites, we were consistently in the range of maybe what, 12% to 13%, 14%, right? in terms of margin of...
- Neeraj Kumar:** See with the -- okay, a very good question. With the improved margins on the value-added products and stability of the raw material where all the inventories of the high-value raw material are consumed. So once our steady state is attained, which we expect that should happen in a month -- sorry, in a quarter or so. Our sweet spot of EBITDA would be upward of 14%.
- Deepak Poddar:** And that you expect post one quarter, we can...
- Neeraj Kumar:** Maybe in the second quarter of this year, if there is -- if the commodity prices continue to behave, then we can expect that.
- Deepak Poddar:** Second quarter FY '24, right?
- Neeraj Kumar:** Yes.
- Deepak Poddar:** And sir, any kind of outlook you want to share on the growth part, I mean, in terms of top line, how do we see that next year, FY '24?
- Neeraj Kumar:** Growth, I would be -- I would say healthy, but I would not hazard a number at it.
- Deepak Poddar:** And any sort of capex. So I'm not sure...
- Neeraj Kumar:** Major capex, no major capex as we continue to maintain that we do not have any major capex. However, I must tell you, we are beginning to, once we have completed the acquisition of Sathavahana, once we have brought our debt in control, there is a lot of pressure from Government of Rajasthan. Also, there is some business reasons where nothing on the cards as yet, but we may start looking at the steel project in Dilwara in a much more truncated form.
- Earlier, what we were thinking of was a fairly large and elaborate, but it would be in a much more truncated form, primarily as our backward integration to our Nashik and Nagothane, where we just do billets to support those businesses. But these thoughts are initial thoughts. I must caveat it, nothing in terms of concrete steps taken, nothing in terms of a range. But on a horizon, maybe over the next 12 to 18 months, that we may think of those as the next phase for value addition growth once we have completed whatever all that we have in terms of Sathavahana, etcetera.
- Deepak Poddar:** And my final question is on your debt part. I mean, you did mention that you expect it to go down and trying to keep that trend going, right, in terms of our reduction in debt in spite of the growth that we are seeing. So some kind of, I mean, comments you can provide that how do you see the debt over the next two years?

- Neeraj Kumar:** All I can tell you is, whenever there is a repayment fee, we don't want to accelerate any repayment and get into any pre penalty -- prepayment penalty, etcetera. So whenever the debt are falling due. We are repaying it. And therefore, there is a natural progression towards the long-term debt moving in a certain -- in 1 direction. As far as the working capital is concerned, as I told you, trade finance for us is very much correlated to our operations by itself. So we are making an attempt to manage that very, very diligently, very, very efficiently. Reduce our working capital cycle. But in aggregate terms, it will more or less track the top line.
- Deepak Poddar:** So I believe when you see growth, then your working capital days should...
- Neeraj Kumar:** Go up, yes, because that is how the business is. That is what the nature of this business is.
- Deepak Poddar:** Go down, right?
- Neeraj Kumar:** No. When the turnover goes up, you will see the working capital utilization will go up because all our purchases are LC based. All our receivables from government always has a credit period of 60 days to 90 days. So the working capital utilization will be positively co-related to the top line.
- Moderator:** The next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management.
- Abhishek Maheshwari:** Sir, firstly, if you could share the EBITDA margins that we make on our palletization, if it's possible?
- Neeraj Kumar:** Pellet, yes, we have reported it is about INR 10,000. It's INR 9,900 to be exact. So INR 10,000 is what we are making on palletization as an EBITDA.
- Management:** We are talking margins, this is a realization -- pellet realization.
- Neeraj Kumar:** Pellet realization is about INR 10,000 per ton.
- Abhishek Maheshwari:** And the margin, you could share...
- Neeraj Kumar:** No, we don't share the margins. As I told you, we never shared the EBITDA margin segment-wise because that, we believe, is one of the USPs of Jindal Saw.
- Abhishek Maheshwari:** Sir, secondly, any plans of expansions and iron ore palletization or if you have any plans to acquire coal mines going ahead to strengthen your supply chains?
- Neeraj Kumar:** No. No mine acquisition on the cards. Only thing that we were talking about or we may think sometime in future is, I have spoken to you about a smaller truncated version of a steel plant. Otherwise, no more -- no acquisition. The coal mine for sure, no.
- Abhishek Maheshwari:** And neither iron ore at this point?

**Neeraj Kumar:** See, iron ore, there are certain mines which are in the close proximity to our existing mine, and they are all very low-grade iron ores. So there, we may have an advantage. And if they are -- they come attractive, we may. But otherwise, are we into a very strong bidding for mining iron ore, no, except for in Rajasthan, where we have synergy low grade where we have a strategic advantage. Coal definitely, no.

**Moderator:** The next question is from the line of Miraj from Arihant Capital.

**Miraj:** Just a couple of things I wanted to understand. So in your opening remarks, you mentioned that you're moving towards more value-added products and premium products. Just wanted to understand if this is -- there's anything apart from stainless pipes seamless pipes? And the second one, sir, is that you mentioned that we are substituting import into the domestic sector. So could you just give a bit more highlight on that with both products exactly are we talking about here? Just these two questions.

**Neeraj Kumar:** Sure. So let's look at the value add. We will go segment wise. If you see in pellets, we are beginning to produce pellets which are high grade, higher grade in Fe. So we can go up to much higher than 65% if a customer wants, obviously, we will charge some premium on that. Plus, now if you look at the large dia pipes, we are moving towards all kinds of inside, outside coating, which includes BU, FPE and others. We do bend, we will start doing connectors once we have the JV up and running because we also have a strategic alliance in the -- from OSI in the joint venture. So large data improvement in coatings, improvement in the bends, improvement in connectors and those updated products.

In DI, we already have upgraded ourselves to go up to 1,200. Fitting now most of the fittings we are doing it ourselves. We have developed double chamber pipe in DI, and we continue to look at a few other products, which will give us more realization. In the seamless and stainless, yes, entry into seamless -- seamless and stainless value-added products. For example, in alloys steel moving to 13 chrome higher grades, which are the CRA grades.

Entering the T series, the Q series and the P series. In stainless steel, but for the now base grades, which were the 304 and 316. We have already started moving towards where we have tested duplex, super duplex. We would even be now wanting to enter into and we have started practicing and preparing for the implement, which is the A series. Already, we have made some inroads into some of the major sectors of businesses like defence, nuclear power, et cetera, which we believe will open up. So at this point of time, we are in a trial phase, but we believe this would open up a new market for us.

In seamless, smaller diameter, higher grade instrumentation tubes is something that, again, we are beginning to try. So these are some of the -- and finally, as I said, the hunting general joint venture which would create a centre of excellence of its kind in this part of the world. So that would have a complete range of all premium connections, including connector connections from the smallest range, which is 2 7/8 going right up to 36 inch. So there is plenty of coordinated well thought-out effort on each of the divisions and each of the businesses where we believe that

this will open up all different business segments, and it would help us stand out from the others who are doing more of the what we call the commodity or the run of the mill models.

**Miraj:** And if you highlight on the other point on substitution both?

**Neeraj Kumar:** Okay. Most of these that now we are doing, for example, if we start doing those connectors, which is those OSI would be an import substitute, the INR 13 crores. And those segments are import substitute. So drill heavy weight drill pipe. Some of those are again -- these are things which used to get imported. Now it would not be required to be imported because it will all come under Atmanirbhar scheme. A lot of instrumentation tube, etcetera, that we will develop we would be the first one or we would be among the few who would be doing it in India.

**Miraj:** Would you be able to tell us the realization in seamless pipes, the realization that we're making per ton?

**Neeraj Kumar::** Again, a very difficult question to answer because it's very wide range and the lowest rate in Seamless, you can go just above the raw material and plus some INR 10,000, INR 20,000. But in some grades, it can go up to twice. So Seamless, we have such a wide range of products that giving you any average NSR or realization would be a recipe where I would be misleading you more than guiding you.

**Moderator:** The next question is from the line of Hiten Boricha from Joindre Capital.

**Hiten Boricha:** Sir, most of my questions have been answered. I have one or two questions. The first one is you mentioned our current order book is around USD 130 billion. So can you give the breakup of the order book like in segment-wise like, let's say, DI Pipes, Seamless Pipes etcetera?

**Neeraj Kumar:** In fact, we have circulated a dot in which that entire breakup of segment-wise order book as well as domestic and export has all been provided. So what I would request you is just refer to that note that has been circulated.

**Hiten Boricha:** I think I'm not in your mailing list, but that's okay. I get back with the IR.

**Neeraj Kumar:** No. If you are not on the mailing list, then please make sure that you contact Mr. Rajiv Gohil, get on to a regular mailing list. Mr. Rajiv Gohil would be supporting you and handholding you through all your process.

**Hiten Boricha:** Sure, sir. Okay. And sir, just can you give some colour on you are saying that our pipeline -- we are setting a very good healthy pipeline. So which particular sector you are seeing any particular sector like DI pipes or anything where you can throw some more colour where we are seeing a healthy growth?

**Neeraj Kumar:** All around, I would say. Look at the large dia look at DI, pellets are strong because steel continues to do well. Still the seamless, we are doing very, very well. So at this point of time, in

fact, all four segments of Jindal Saw is seeing some very good and a healthy, I would say, order book and future ahead for the next few quarters, the kind of visibility that we have.

- Moderator:** The next question is from the line of Dewang Sanghavi from ICICI Securities.
- Dewang Sanghavi:** What would be the volume line we are targeting for FY '23 and '24 for each segment, so DII or SII?
- Neeraj Kumar:** No volume, you are talking about ERS, see the current trend we have given you. We have done -- and what I would suggest is, take the quarter 3 extrapolate because, again, giving you numbers in terms of guidance forward-looking is something that I'm not sure whether I would be doing the right thing.
- Dewang Sanghavi:** No problem for that is helpful.
- Neeraj Kumar:** I'll just take your numbers -- quarter 3 is a good indicator of the kind of growth that we have achieved. Based on that, just projected for quarter 4, so you will get a fairly good idea of how the year is likely to come.
- Dewang Sanghavi:** And how about FY '24, would there be some growth on that...
- Neeraj Kumar:** We do expect a reasonable growth over this year because there, we expect all 4 quarters to do definitely better than the respective 4 quarters of this year. So after Q4, the Q1 there would -- should be at a much higher plane of a Q1 of this year because here, the Q1 was a little suppressed. So we do expect next year to be definitely better than this year in a reasonable way or in a significant way.
- Dewang Sanghavi:** All right. Sure. My second question is regard to Sathavahana is part. How quickly we can ramp up the capacity out there once we are declared.
- Neeraj Kumar:** The matter being sub judice. It would not be appropriate for me to talk both. All I can tell you is that all hearings have been completed, order has been reserved. We are expecting a result any day and we expect a positive result in our favour. Once that happens, you know that already, there was a lot of repair and repair work, etcetera, maintenance work was going on we should be in business very soon. And I have already indicated earlier that we expect it will add over 200,000 metric tons to our capacity.
- Moderator:** The next question is from the line of Akanksha from Brickwork Ratings India Private Limited.
- Akanksha:** I just wanted to continue with the previous question. Regarding the Sathavahana project, like how much the company has invested in the repairs and maintenance?
- Neeraj Kumar:** No. The company has not invested anything in repair and maintenance so far unless the company gets the order in its favour then how can I make an investment. There's a different role. Okay. That's what I'm saying. So you -- there is no -- zero investment first, let us clear that. The

company also had a role where it had won the contract for repair and maintenance. They are probably what the overall spend would be, would be of the order of over INR 200 crores, which is a receivable, which serves a successful bidder would have to pay. So there is a spend that has happened in terms of maintenance, keeping the capacity ready. But in terms of investment, it is zero.

- Akanksha:** Okay. And how much the company has invested in that particular?
- Neeraj Kumar:** Madam, again, you are asking a wrong question. Investment is zero as a repair and maintenance agent, the company has spent and build approximately INR 200 crores, which the company will receive from the successful bidder.
- Akanksha:** Yes. Okay. The company has spent about INR 200 crores, yes. Okay, sir.
- Neeraj Kumar:** Which is very much a part of the operational and it is very much a part of the overall the case and the judgment process.
- Akanksha:** Okay. And when we are expecting the order, sir?
- Neeraj Kumar:** Any day. Because in the judicial process, you can't -- when the order gets reserved then the judge has a sort of sequence. They released the order in the sequence. So we expect it now any day.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor Company.
- Saket Kapoor:** Congratulation on a very steady set of numbers. Sir, firstly, if Vinay ji could explain us this other income impact, what resulted in this conversion? And does it cause an actual tax outgo or that is also a book entry?
- Neeraj Kumar:** Okay. Saket, Mr. Mantri here, who is the CFO also. I requested him to explain this matter.
- Narendra Mantri** Yes. Saket, I think our notes on this matter is very clear. The impact has come because of the modification and the terms of the RPS issued by the subsidiary and held by Jindal Saw and its impact is deferred tax, and that amount is also given in that note.
- Saket Kapoor** So this money was receivable from JITF in the form of reference.
- Neeraj Kumar:** Saket, it is not receivable. It is -- it will be received on -- at some future date when the RPS gets mature, matured. So nothing is receivable, nothing has been received, but the Indian accounting standards require whenever you have an instrument like this, whatever is the future potential realizations, you have to account for the pro rata possible return. So you take it and spread it over a 7-year period. So this is -- don't -- what I suggest is for the purpose of the kind of analysis that you people do for these results, just ignore this, it will have zero impact, either now or then on the business performance.

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*January 30, 2023*

- Saket Kapoor:** Sir, when you were mentioning about the capex part, and you mentioned that there is a scope of again, reviewing and coming back to the drawing board for the steel plant at Zilwara.
- Neeraj Kumar:** Saket, let me just complete that because to rake your memory in a much more truncated form.
- Saket Kapoor:** Okay, sir. Can you spell more thought on it what by means of truncated you were guiding us, sir?
- Neeraj Kumar:** All right. Earlier, we were talking of a steel plant, which would have had a customer interface. So the product range would have been much wider. Now when I say our truncated steel plant, we are looking at a backward integration where we produce enough in terms of quantity, in terms of grades to support our Nashik and Nagothane operations and facilities, so that in Nagothane in Nashik, the value add would start from the iron ore stage and would go, in some cases, right up to premium thread cut premium product, which is a JV from hunting.
- So to make sure that the entire value is captured within the company, we may look at that at this point of time, I repeat, we are still thinking through the process and doing various analysis before we firm up our view, but it will be a much truncated form of steel plant, which will only cater to the Nashik and Nagothane raw material inputs which at this point of time, we buy from outside. We sell pellet to outside. So can we take our pellets and make billers enough to support our Nashik plant is something that is being considered.
- Saket Kapoor:** Correct. And can you give the colour also what is the annual requirement for the Nashik and then Nagothane unit that will be supplemented by this field plant?
- Neeraj Kumar:** Maybe at this point of time, we are looking at the yielded raw material would be in the vicinity of maybe 4-lakh-plus tons.
- Saket Kapoor:** Correct. And now coming to the cash generation partner. You did mention that the -- we are not going for any prepayment of debt and the 1,200 number will get reduced as per the scheduled payment. So the incremental cash generation for from the order book which we have currently and the thoughts you have shared with us that going ahead, things are looking better.
- Neeraj Kumar:** That would help us control the working capital. If you already see in this quarter, the turnover has gone up, but the working capital utilization has come down primarily because all the excess cash that we are generating, we are using to bring down my working capital cycle.
- Vikash Singh:** So that means in nature the finance cost on -- as a percentage would definitely be lower.
- Neeraj Kumar:** Saket, you just see the results cycle, that is...
- Saket Kapoor:** No. Yes, sir. I'm just extrapolating that cash into will support, yes.
- Neeraj Kumar:** Yes, yes. That trend will continue, it's a conscious decision.

- Saket Kapoor:** Right, sir. And a small point on the selling of the non-core asset part, I think so we were contemplating some sell-off maybe we have also shortlisted the asset of these 2 -- where are we in terms of that divestment, sir?
- Neeraj Kumar:** Saket, please let me just -- which non-core assets now is still in Jindal Saw?
- Saket Kapoor:** Sir, Waste to Wealth, you spoke about some plants we had.
- Neeraj Kumar:** Synergy has been demerged long back. All the loan that Jindal Saw had given has been repaid. So this time, when you see the balance sheet, you will find lot lighter and a cleaner balance sheet where the investment portfolio, the loans and advances and all of those have been cleaned up to a very large extent. As far as that business is concerned, it has already been demerged. And whatever was a loan from Jindal Saw has all been repaid, which you will see during this year and at the end of the year when the balance sheet comes out.
- Saket Kapoor:** Sir, your presentation...
- Moderator:** Mr. Kapoor...
- Neeraj Kumar:** No non-core businesses or companies as a part of Jindal Saw, which are significant.
- Vikash Singh:** Right sir. And if time permit, can I...
- Moderator:** Sorry to interrupt, sir. But due to paucity of time, it should be the last question.
- Saket Kapoor:** Do you have two minutes?
- Moderator:** Sorry, sir, we'll have to close the call. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vikash Singh for closing comments.
- Vikash Singh:** Thank you, everyone, for joining us on today's con call. I would like to thank Jindal Saw management for giving us the opportunity and handing over the dash to Neeraj sir for any last closing comments. Over to you, sir.
- Neeraj Kumar:** Thank you all. I have to thank all our stakeholders, shareholders for staying with us. And now performance is beginning to show up, and I just hope that the market cap would reflect the value that we have been creating, and we have been working so hard to create. So I hope and I wish all of you well. And definitely now, we will be back after 3 months with a robust result for the fourth quarter as well. Thank you very much. Bye.
- Moderator:** Thank you. On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.