

Jindal Saw – Q1FY22 Earnings Conference Call
Hosted by Prabhudas Lilladher Pvt. Ltd.
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Amit Khimesra, 'Moderator': On behalf of Prabhudas Lilladher I welcome you all to the Jindal Saw Q1 FY22 post earning conference call. 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 and Head Commercial and CFO. I thank the management for giving the opportunity to host this call and also would like to congratulate them for a good set of results in this challenging environment. I now handover this call to Mr. Neeraj Kumar for his opening remarks, followed by an interactive Q&A session.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited: Good afternoon friends. I hope all friends, investors, stakeholders, they are all safe and taking good care of themselves during this pandemic which is kind of playing hide 'n' seek with us. This quarter, again, was impacted with some anxious moments, but luckily our performance did not get impacted. Friends, as we have been saying repeatedly, our Q1 performance is a living and an absolutely current testimony of what we have always said is the hallmark of Jindal Saw. To use an analogy, this is like a steady ship, which is almost like the Rock of Gibraltar, in a stormy sea. If you look at the stormy sea which is the business environment, the steel prices have breached all kind of precedence in terms of steel price. The pandemic is not letting us breathe easy. The business environment, due to the pandemic, is getting impacted. Monsoons have become very erratic; either there is no rain or there is heavy rain and that's a problem. From all sides there are different kinds of, metaphorically speaking, storms. But look at Jindal Saw, as steady as the Rock of Gibraltar, and that is the hallmark of Jindal Saw.

On a quarter-on-quarter performance, as opposed to 1,400 cr of top-line Q1 last year, we are at 2,474 which is 76% growth. EBITDA of 95% growth. PBT, is up from 15 to 227 crores, PAT from Rs 10 cr to Rs 148 crores. EBITDA percentage 16.63%. Classic example of our business model is that on one side we are suffering from the rise in raw material prices, which by the way, most of these now we are able to pass it on to the customers. At the same time, there is a compensatory effect, the pallet division has more or less, or I would say, more than compensated for the volatility in the raw material prices. So, this stability of Jindal Saw business model has always kept us in very good stead; look at last few years and now 2021. And, this is one area that we always focus on as a management, and we are confident it will keep us in very stable state as we go forward as we have developed new business drivers which are going to take us ahead.

The second equally important aspect that I would like to highlight, again something that we have been saying, look at our debt profile! Steadily but surely moving in one direction where now Jindal Saw overall net debt is less than 3,000 cr which includes working capital financing also. For a trade finance driven business like ours, this is again a very healthy sign. Consolidated debt, similar direction. Consolidated results, again, looking at the business environment where the US pipe business or oil and gas business or water business is yet to pick up, the stimulus announced by the government, still it's going through their Congress. Everything has yet to hit the ground. Same is the situation in most of the UAE where there are very strong restrictions between Dubai and Abu Dhabi in terms of travel. So, look at all of those. But still, EBITDA positive. We did contribute over 40 cr in EBITDA between the standalone and consolidated results.

So today I would like to have a more interactive session with you. I have just highlighted three things to you – The stability of our result, the control over debt profile, and the consolidated results also now showing the trend or moving on the stated path. Let's quickly now focus on what is in it for us

as we look ahead. We are confident, except for one caveat, unless the pandemic, unless COVID really comes with a really disruptive force, we are confident that this year should be a significantly better year for us as compared to FY21 where we had a top-line of 9,000 with a bottom-line of 329. So, the way our order book is, the way we see the business... because in the last quarter we have had some very good interactions with some of our potential clients, some of the senior level authorities. The way we see it, we are confident that our performance should be significantly better, except for a huge disruption caused by the pandemic. Raw material prices also, we are hopeful that the impact of raw material prices have been largely taken care of and it would help us, because now we have been able to pass on those increases. And as we go forward, prices should ease out because we are seeing that atleast the further sharp movement in the raw material prices may not happen . Now there is a regulatory, I am told, oversight on it. Probably I'm told that the Competition Commission is going to look into the prices of the steel. So that may have its own impact. But, the business outlook is looking good for us.

Few significant items that we must mention. The relationship with hunting is getting deeper and is likely to get a much more concrete shape. Since it's in WIP, probably next quarter I may be able to give you some more specific details, but it is taking a lot more concrete shape where we would be able to expand our product portfolio in the very value added OCTG segment. The stainless-steel business is beginning to do well for us as we absorb that business in Jindal Saw. So, there are some specific business drivers and our overall positioning in the market with a very strong capital structure is such that we feel confident of a steady, good performance even in these times where things are troubled. Oil and Gas sector is also likely to do well. Water sector is likely to do well. I'm sure all of you would know that from the market, from various other players in the market. So Jindal Saw, we are confident that we will do well during this year. So with that let me stop here and take some questions from all of you. Thank you.

Moderator:

Thank you very much. We will now begin the Question & Answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to withdraw yourself from the question queue you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Pratiksha from Equitas Intelligence.

Question and Answer Session:

Ms. Pratiksha – Equitas Intelligence: Good evening sir. The first question is about our UAE operations. So we've seen a marked fall in the volumes there. If you could just deliberate the reason what happened, and how do we look at the volumes going ahead?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

When you say you have seen a marked...?

Ms. Pratiksha – Equitas Intelligence:

Sequentially, on a quarter on quarter basis.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Yeah see, sequentially as I told you, for our business everywhere, sequential is not the best way to look at it because everywhere we have these seasonal... So you must compare it with the last year same period. Because, what we are confident of, last year we crossed the ever highest 2 lakh tons...

Ms. Pratiksha – Equitas Intelligence:

Right.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

...even after this 1st quarter performance, the way it is. We are still confident based on the order book that we have. But as I said, I keep on caveating. The performance of the 1st quarter got impacted due to the pandemic. In terms of, we did have a lot of people get impacted and the operations had to be scaled down significantly, because as you know, at this point of time there are visa restrictions. We can't send people from India to Abu Dhabi. The people who got impacted, certainly they had to be put in quarantine. And therefore, our production level had to be scaled down because of these unique situations. But otherwise, in terms of the order book, still we hold that for the full year performance; it should be higher and better than 2 lakh tons that we have done last year.

Ms. Pratiksha – Equitas Intelligence:

Great, that's very encouraging! And the second question I had was about the seamless division. What I understand is, the order book, in terms of volumes, sequentially remains more or less same, but our value of order book has risen significantly. So, why is there such a marked increase in realisation?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Marked increase in realisation of?

Ms. Pratiksha – Equitas Intelligence:

As in, our order book, what I understand is 94 million dollars. This compares to 54 million dollars in March 2021. But in terms of volume, the order book remains flat, like constant.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Correct. So that only shows that now we are entering the value added segments that's something that we have been saying and it reflects exactly the same. Now, because of the hunting and Atma Nirbhar, we have moved up the value chain where the NSR (Net Sales Realisation) per ton is going to go up and seamless business, stainless business are the ones which will see this impact the most. So that only reflects what we have been saying, that in the seamless/stainless/alloy business, we are looking to go up the value chain. We are also entering some very exotic segments like 13 Chrome and all that.

Ms. Pratiksha – Equitas Intelligence:

Sorry, could you please repeat that.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Exotic segments like 13 Chrome. See, okay, let me just take a minute to explain all the investors a little bit about this. In seamless pipes and tubes, there's a segment which is called Carbon Steel which is typically the carbon steel which is the commercial grade. And there is a segment which is Stainless Steel. Stainless steel typically starts with grades like 304s and 316 and the others. You keep on going there in the Inconels and other exotic grades. The third segment is what we call the Alloy Steel. Alloy steel is where it is essentially carbon steel, but mixed with certain alloys like Chrome. So 13 Chrome means there is a higher percentage of Chrome. Then you go to 18 Chrome and then 25. So, these are the some of the exotic grades of carbon steel made out of alloy. As Jindal Saw we have made a conscious decision of moving up the value chain where Atma Nirbhar Bharat is also helping us. These were grades or these were tubes made out of these products where material has also

been imported. Now we are able to replace them through our own production facility in Nashik, and therefore there is an increase in the NSR.

Ms. Pratiksha – Equitas Intelligence:

Okay. Sir one question on the Saw segment. Sir, when do we see the order book or the demand to pick up and reach our previous year levels? Generally, we used to have about 500,000 tons sort of an order book. So what is the outlook there? How do you see things moving there?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

It all depends. If we assume that the third wave doesn't come, then you will see that soon. Maybe you will see that in the third quarter or the second quarter of the order book and executing beginning in the third quarter. I must tell you that this point in time, Oil and Gas is seeing some buoyancy. As you see, the oil prices have come to a level where some of the projects are becoming viable. Second, in the water segment, both for DI as all as for large diameter pipes, it's good news. Most of the states have their own pipe grid which is almost now running the tender stage, where the basic survey, etc has been done, the project has been conceived, and it is now hitting the tender stage. So if there is no third wave, then it may be part of order book in quarter 2, execution will begin in quarter 3. Because, please understand, Jal Jeevan Mission is one of the major initiatives of this government and they have to go for re-elections in 2024. So, they would have to show some results and therefore, there is a time constraint on the Jal Jeevan Mission.

Ms. Pratiksha – Equitas Intelligence:

Okay, alright. And lastly...

Moderator:

Sorry to interrupt, but ma'am I would request you to come back in the queue please.

Ms. Pratiksha – Equitas Intelligence:

Alright, thank you.

Moderator:

Thank you. The next question is from the line of Anish Krishnan from Wealth Creators. Please go ahead.

Mr. Anil Krishnan – Wealth Creators:

Hi sir. Congratulations on a good set of numbers. I have two question. No. 1 is, could you give any forward guidance on the year end EBITDA we can expect? Will it be in the same trajectory as what is guided, because in the last concall you had said that this is what more or less you could extrapolate into 4 quarters. So can we expect anything above, say 1,800 or 1,900 cr EBITDA?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

I don't think I would be allowed to speak numbers. All I can tell you is, this year's EBITDA, if there is no third wave of pandemic, would definitely be significantly better than the last year.

Mr. Anil Krishnan – Wealth Creators:

Okay, thank you. And the next question is on the debt reduction. As guided in the last concall, it was to be 550 to 600 cr of normal debt reduction which was due this year. So, seeing that we are going to do significantly better, hopefully we will, so will that change to a higher number? In the sense, would you reduce more debt than 600?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

When you say now, quantum debt is already 1,600. Now 1,600, depending on the repayment schedule, etc, may become 1,200-1,300. But it all depends on how we manage our working capital. So, the effort is always to liquidate inventory and collect as much as we can during the March end. So, if we are able to succeed in that, then you will see definitely a good decrease in the debt level. But let me ask you, do you think an organisation of our size, with an EBITDA and with a stability of EBITDA that we have, is debt still a concern for all of you?

Mr. Anil Krishnan – Wealth Creators:

Sir, to be very honest, the overhanging concern with all investors remains that the NTPC money is not coming in and the dates are getting pushed quarter to quarter. So, that is one major concern with all the investors. It's understandable from your side that COVID has happened and the High Courts and Supreme Courts must not be functioning. But the problem is, there's a major overhang of the debt concern. So now, even though our standalone business is doing very well...

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Let me stop you there. Are you saying, there's a large chunk of money... Yes, when it comes, it will have a different kind of an impact on the balance sheet, yes. But I just want to understand, 1,600 cr debt with a maybe 1,100 or 1,200 cr of working capital for an organisation of our size with the stability of EBITDA of our size, on a standalone basis, does it still remain a matter of concern for all of you? I can get that NTPC; there is no going away from that. We are all looking at it. But as you know, we are helpless because now the dates that have come is 2nd and 6th of September. I'm sure you would be able to check that the Delhi High Court is absolutely acting mechanical. Mechanical means, they just enblock take and give a new date. So it's not a question that they are being selective or they are being... and we are not putting in effort or whatever. This is a matter of fact that can be checked. Delhi High Court is picking up all cases in block and shifting the dates.

Mr. Anil Krishnan – Wealth Creators:

No no sir, I completely understand in that point. It's just that, as investors we have a major concern about that point because it's been quite some time and getting that huge chunk of money really changes the whole balance sheet for our organisation.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Correct. But, is the debt still causing a concern? That's a different issue. The moment that comes, maybe we'll become a debt-free organisation, maybe, I don't know, because I have my own observations or I have my own views on should we be a debt-free company or should we be a completely equity driven company? That's a situation because then the return on capital employed, return on equity and other factors come into play. But, is this debt level something which should it be causing a concern to you, especially the kind of trend that we have shown over the last few years? It has never shown any erratic behaviour, is what I'm saying. In March 31st we mobilised 500 cr from LIC, and we did say that it is essentially to correct our capital structure. And see, that has indeed happened, that even after mobilising that quantum of debt, the overall debt has come down. So, I want to give that confidence to the investors that when we say that we are managing our capital structure diligently, objectively, we are doing so.

Mr. Anil Krishnan – Wealth Creators:

Okay. No sir, over the past 4 quarters it's been really encouraging how investor-friendly and how all the positives have come up and we are quite happy to see that. But it's just that, in the stock price it does not reflect it and then we tend to think that because of the NTPC money maybe there is an overhang. That's why we are a little disheartened in that regard.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

I absolutely share your views that NTPC should happen. But, I must also tell you that now the dates have come which are 2nd and 6th of September. We had to put in a lot of effort in this. And the good part we have achieved is, we have been able to isolate 34 from all other matters. Earlier it used to be 1, and that's how NTPC managed to so far hide behind the other matters and not let the objection and enforcement progress. But now, the High Court in one of the hearings where we had to bring in real heavy weight; I had to make a personal request to those heavy weight lawyers because normally they don't appear in High Court, to make that effort. And they have succeeded in separating the two where now the Section 34... that means, NTPC's objection plus our enforcement of the order will be dealt with independently from all other matters. And that we believe, should give enough momentum to this case to reach it to its finalities. So, there is a step, which we believe, should help us expedite the whole thing and get us the retired or the desired destination we hope we should be able to... But I absolutely agree with you that this is something which is not a matter of concern, but till the time it doesn't happen, it is always so much money which is pending and it is not helping us grow our business and not helping us correct our capital structures. So, I share that with you, and I hope that we would be able to do this very quickly.

Mr. Anil Krishnan – Wealth Creators:

Thank you so much sir. All the best.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Thanks.

Moderator:

Thank you. Participants are requested to restrict their questions to two per participant. The next question is from the line of Urvija from Isha Securities. Please go ahead.

Ms. Urvija Shah – Isha Securities Ltd:

Hello. Good afternoon sir. Thank you for your presentation. I had a couple of questions sir. If you can help us understand, break up of the margin expansion in this quarter. So, is it safe to assume that the pallet sizes have also been a major contributor this quarter? And sir, just call backs on understanding of... all other companies give an understanding between their value-added business and their commodity business. Can you give us an understanding on what percentage of revenues is pallet business? Sir, it is a pure commodity business. As investors, just to understand the nature of Jindal, if you can just give us a rough idea, what is the percentage of EBITDA and what are the revenues for the pallet business?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Okay. To answer your first question, did the pallet business contribute to the EBITDA this year? The answer is yes. This is the nature of business that you must understand. This is the nature of our business structure which has been deliberately, consciously created so that it provides the stability to our business model. Second...

Ms. Urvija Shah – Isha Securities Ltd:

Right sir. I did attend your AGM and we had a vision from the Chairman sir also.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Exactly. Now for you to seek segmental details, I do appreciate that for a business analyst, it would be easier if you get that number. But also please appreciate, since you are a stakeholder in our company, this is our USP. This is a competitor sensitive information. This is the one which keeps every of our peers guessing in terms of our pricing strategy. And therefore, we don't put this in the

domain, not because we don't want to. I do understand, it will make your life easy, my life easy, but this is very competitor sensitive information. This is a USP of our organisation.

Ms. Urvija Shah – Isha Securities Ltd:

Right sir. But from the revenue point of view, is it right to assume that it would be roughly around 20-25% of revenues in this quarter... the pellets business?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Madam, We give you tonnages everywhere. You know the NSR, the market price of everything. So with a little bit of calculation you will arrive at your own conclusion which will be within a band of 5%, I must tell you that.

Ms. Urvija Shah – Isha Securities Ltd:

Okay right.

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Yes, just take the quantity, take the market price and then you would be able to arrive at everything. But, for us to put it in the domain we consciously don't do it because then, as I said, it is competitor sensitive information.

Ms. Urvija Shah – Isha Securities Ltd:

Right right, okay. How has the DI pipe pricing trend been? Sir, if you can give us some idea on that?

Mr. Neeraj Kumar - Group CEO, Jindal Saw Limited:

Let me tell you, DI, now we are sitting pretty. We have a very strong order book. Most of our old order book, we have been able to re-price it with the clients, except the ones which are with government without any price escalation clause. So wherever we have a contract directly with the government and in the contract if there is no price escalation clause, then we have no option but to honour our commitment to the government. But for others, or but for those contracts we have been able to arrive at a price escalation on most of the other contracts. So we are able to pass on this increase in the raw material prices. We are hoping that once the raw material prices soften little bit, we might be able to get some more benefit out of it.

Ms. Urvija Shah – Isha Securities Limited

Right, right. Okay. And sir one last question. The pellets that we do the verification and then we sell them. So can you explain the cost economics of this process?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Cost economics – we get our pellets – we have our own mines we get pellets. We have our own beneficiation facility. And then we have our own facility for palletisation. So the cost just stacks up which is mine the cost, beneficiate it, take it to higher SC and then make them into pellets.

Ms. Urvija Shah – Isha Securities Limited

Yes okay.

Moderator

Thank you. The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.

Mr. Sailesh Raja – B&K Securities

Yeah thanks for the opportunity sir. Sir in DI Pipes, it is partly answered of the total outstanding order book, how much would be legacy orders and how much will be like orders which will give

decent EBITDA per ton of 5000? It is given the iron ore price of \$200 and coking coal price of \$330. Can you give the break up sir?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

As I told you but for the few contracts which are with the government directly, most of them we have pre-priced. So I would say that less than 25% of my current order book is on the fixed price and the rest is all with increased price. So this is not a – I would say the price increase impact the worst is over for Jindal Saw.

Mr. Sailesh Raja – B&K Securities

Okay, okay. That is very helpful sir. And second is like now that you are in stainless steel, it is in big plans, what is the growth plan for us to progressively move from 5000 tons volume to 25000 tons? What are the initiatives we are taking? And what is the total investment in this segment? What paybacks you are expecting?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

You said total investments?

Mr. Sailesh Raja – B&K Securities

Yeah.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

You look at the balance sheet. It is still all showing up in capital work in progress which is more or less now coming to an end. We will have to, whatever is there in the CWIP which is visible to all of you, probably we will have to add in maybe another 40-50 crores just for finishing and just for the balancing equipment. And then we are ready for a large capacity in terms of seamless. Plus welded we have even higher capacity because in welded we can go up to 40 inches in diameter.

Mr. Sailesh Raja – B&K Securities

Okay, okay. So what was in Q1, what was our volume sir in stainless steel?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

See again stainless steel don't look at volume because stainless steel is not a volume business. If you look at half inch tube which is the instrumentation tube, that would sell at maybe Rs. 12 lakhs a ton. Whereas if you look at a 304 would sell at Rs. 5-6 lakhs a ton. So therefore just tonnage is a – if I give you just the tonnage about stainless business, I would be misguiding you. Because our effort is not to just become a volume player. Our effort is to have a base level just of the base grade which is 304, 316L. But definitely value add where we go into duplex, super-duplex, instrumentation tube and all of those.

Mr. Sailesh Raja – B&K Securities

Okay. Sir can we expect 500 crores EBITDA in next 3 years?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Say it again.

Mr. Sailesh Raja – B&K Securities

Can we expect 500 crores EBITDA in next 3 years?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

500 crores EBITDA in next 3 years. No that would be a little stretched. Unless we are really able to move everything into value segment.

Mr. Sailesh Raja – B&K Securities

Okay, okay.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yeah. So in terms of expectation it will definitely be above 3 for sure. But 5 would be a stretch. And I am talking of a 3 year period.

Mr. Sailesh Raja – B&K Securities

Okay, okay sir.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yeah. Above 3 years definitely.

Mr. Sailesh Raja – B&K Securities

Right sir Thanks.

Moderator

Thank you. Participants a reminder, please limit your questions to two per participant. The next question is from the line of Sahil Sanghavi from Monarch Network Capital. Please go ahead.

Mr. Sahil Sanghavi – Monarch Network Capital

Yeah good evening sir am I audible?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yeah, yeah, good evening.

Mr. Sahil Sanghavi – Monarch Network Capital

Yeah. Sir, I have two questions and this is regarding the DI Pipe segment. Sir one of your peer said that DI Pipe industry is undergoing a situation in which there is a deficit in the supply and the demand has gone 3x. Do we have any expansion plans to capture this opportunity?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yes we are looking at – we are examining various organic and inorganic options to expand our DI business.

Mr. Sahil Sanghavi – Monarch Network Capital

Okay, okay, okay. And secondly sir some of the players have seen an urgent rise in their organic pipes where it tends to DI Pipes sir? We have still not seen that in our order book. So what is happening at your end? When can we expect some entry in the order book for DI Pipes sir?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Can you hold for a second?

Mr. Sahil Sanghavi – Monarch Network Capital

Yes sure.

Management – Jindal Saw Limited

Can you just repeat the question again? Your line is not very clear.

Mr. Sahil Sanghavi – Monarch Network Capital

Yes, yes. Am I audible? Can you hear me fine?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yes just the specific question because your line is not very clear. But I would just want to get the crux of your question and I will respond to that.

Mr. Sahil Sanghavi – Monarch Network Capital

Sure, sure. So I am just looking at the trend of the order book sir since last 4-5 quarters, and we are hovering around 5.7 to 6 lakh tons for the DI Pipes order book. While some of your peers have almost went to 1.5 2x in the order book front. So can you just guide us what is happening over here and can we expect some order book surge in the next coming quarters?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yes got the answer – sorry got the question. If the order book in terms of the tenders, the way they are planned, they come out, you would see the similar surge in order book for us as well. We were during this volatile raw material situation we were consciously wanting to stay away. Because then you don't know where to pitch and you don't know how to pitch and therefore it is better that you conserve because we had a very healthy order book. But we are very confident that if the tenders the way it comes, we would be able to get orders at the right price. Because now the raw material prices have more or less stabilised.

Mr. Sahil Sanghavi – Monarch Network Capital

Okay, okay, got it sir. And lastly can you throw some light on which states are contributing to new orders right now? Which are the active states right now?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

In the DI Pipes ?

Mr. Sahil Sanghavi – Monarch Network Capital

In DI Pipes, yes sir, yes.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yeah, in DI pipes Maharashtra has a big plan. The Andhra has a big plan. UP has a big plan. Punjab, Rajasthan – so these are the five states which have big plans which definitely we are talking to them – Madhya Pradesh. Not to forget Madhya Pradesh as well.

Mr. Sahil Sanghavi – Monarch Network Capital

Sure sir, got it sir. Thank you sir and all the best.

Moderator

Thank you. The next question is from the line of Arun Rathi an Individual Investor. Please go ahead.

Mr. Arun Rathi – Individual Investor

Yes sir. Good afternoon sir.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Good afternoon.

Mr. Arun Rathi – Individual Investor

Yeah sir. One thing I want to ask. Where do you see this company over a period of 2 years sir?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Where do we see this company 2 years on. One thing I must tell you that we will remain as stable as we are doing good business. And probably by then most of the new initiatives in terms of stainless in terms of Hunting' joint venture, this, that whatever, that we have taken, they would all be done and finished. And you would see an organisation which is a leadership position which is much, much more consolidated. Much wider in terms of product range. And in value added segments based on the Aatma Nirbhar initiative of the government. So we definitely see in the next 2 to 3 years, Jindal Saw at an elevated level of operations where we would have consolidated our leadership position.

Mr. Arun Rathi – Individual Investor

Okay. And sir second question is you have told about the cylinder development that you have explored in previous call that you are developing some cylinders -- CNG cylinders. So that....

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

So that is a unique thing that we have entered. As I told you we are among the few or the only who are doing 16 inches in seamless pipes. And CNG cylinders are one of the significant advantages or applications for that. And this is a good segment in automobile where we have broken through. And we hope to do because there are not many players in the country who can do 16 inches in seamless.

Mr. Arun Rathi – Individual Investor

So any development in that sir in this quarter?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yeah, yeah, we are going to – now we have broken through. We have got development orders from few customers

Mr. Arun Rathi – Individual Investor

Okay, okay. And sir any development that you were talking about other products? You said about products that is used in automobiles that is you are venturing into that also. So any development in that?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Again, maybe you need to speak in the phone properly. I am not able to hear you. This sector is – let me just try and guess your question. See automobile we have entered this prior we were in bearings. There are few players who can do bearings and we are now significantly ahead in bearing sector. And other tubular products in automobile yes automobile is one of our focus areas and we will do well there.

Mr. Arun Rathi – Individual Investor

Okay. Any development that can be attached to EV? Electrical vehicle side with Jindal Saw?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

See electric vehicle on one side takes away a lot of tubular products like propeller, shaft etc.

Mr. Arun Rathi – Individual Investor

Okay.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

It still has significant tubular products where we are very strong and we wish to remain very strong, which are for example the casing of the shock absorbers, steering pipes. So all of those would be there and that will remain. But electric vehicle does it use higher tubular products than the conventional diesel petrol vehicle, the answer is no.

Mr. Arun Rathi – Individual Investor

Okay sir. Thank you sir, thank you.

Moderator

Thank you. The next question is from the line of Srinivas, Individual Investor. Please go ahead.

Mr. Srinivas – Individual Investor

Good evening sir.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Yeah good evening.

Mr. Srinivas – Individual Investor

Sir my question is regarding Note 6 P&L.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Note 6 – okay hold, let me just get hold of the note. Yes tell me which note are you talking about.

Mr. Srinivas – Individual Investor

Yeah during the quarter you have converted loans amounting to 212 crores into preference shares. Which is the subsidiary and what was the earlier rate of interest? And now what is the rate of interest on these Preference Shares ?. That is the one question. The second one is in your latest annual report you can see clearly there are four divisions Steel pipe division, DI Pipe division, carbon and alloy steel division, pallet division. And as an investor, as a shareholder I would like to receive my segment revenues and segment profit details at further divisions. Just think about it sir.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Okay so now to answer your question number two, we have already answered that....

Mr. Srinivas – Individual Investor

Competitive sensitive issue is different sir. Investor friendly issue is different. Just think about that. See we don't have to take it from somewhere else and crunch the number. You can give it to us as investor friendly way management.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Okay. Probably it is best that you talk to our office. Because when you say investor friendly means what? You want me to give you the numbers?

Mr. Srinivas – Individual Investor

See segment. Anyway the four divisions are already mentioned in the annual report the first few pages. So just division wise revenue and the profitability

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Okay let me answer the other question. If we need to talk about that we should talk offline. Because we don't – as Jindal Saw we maintain ethics. I cannot share anything informally with anyone. Whatever we share, we share with everybody. Absolutely, transparently, openly. So if you have any other expectation then maybe you should talk to our investors' relation group. They will guide you.

So to answer your other question about conversion of some of the instruments into preference shares and loans, if you recall we have already said that in some cases to manage our subsidiaries well and to manage our balance sheet well, we are converting some of the loans into preference shares which they can be redeemed at whenever they are. And as far as the instrument is concerned we take care that whenever we convert any instrument, we try and maintain the interest rate in this case the dividend rate or in this case whatever you call it the time value for money rate, the same, so that it doesn't impact. These are instruments which are being used essentially to make sure that if the loan is taking time, you convert them into a suitable instrument. So probably the interest rate would be the same but still Mr. Narendra Mantri who is our controller, I would request him to explain this in more details to you.

Mr. Srinivas – Individual Investor

Excuse me sir, all I wanted is receive the subsidiary what was the interest on loan earlier and what is the preference share rate of interest. That is it.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

So same. I told you. We maintain the same rate of interest. But if you wish to know why, what, then Mantri will explain that to you.

Mr. Narendra Mantri – Controller, Jindal Saw Limited

In this case the rate of interest was 6% and we have fixed the dividend rate also at 6%.

Mr. Srinivas – Individual Investor

They are not the subsidiaries.

Mr. Narendra Mantri – Controller, Jindal Saw Limited

Yeah, this is relating to the US operations and Abu Dhabi operations. Their holding companies.

Mr. Srinivas – Individual Investor

Okay fine, thank you.

Moderator

Thank you. Participants are requested to restrict their questions to one per participant. The next question is from the line of Prateeksha, Equitas. Please go ahead.

Ms. Prateeksha – Equitas

Just one follow up question sir, like you know you mentioned that since the raw material price issue is behind us and now we are into value added segments, do we expect FY22 blended EBITDA to be similar to FY19, FY20 level?

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Similar. Similar or better.

Ms. Prateeksha – Equitas

Okay that's it. Thank you.

Moderator

Thank you. The next question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

Mr. Parthiv Jhonsa – NVS Brokerage

Hi sir. Congratulations on the good set of numbers. Sir almost all my questions were answered. Just I wanted to know one thing. You know historically we have almost say 9 to 10% of PAT margins. Just wanted to understand by when in the near future can we receive this? Because our EBITDA margins are definitely going up but our PAT margins are around that 5 to 6% kind of a range.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

You are right. And we are working on improving the capital structure of Jindal Saw.

Mr. Parthiv Jhonsa – NVS Brokerage

Correct sir, correct.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

One of them is obviously the NTPC but still if you see because of the legacy issues the loans and advances and that part of the asset requires some correction. We are focused at that. The moment we succeed and as I said we are looking at how to improve that, you will see that the return on capital as well as return on equity will go up. So yes what you say we take note of it and I wish to assure you we are working at it.

Mr. Parthiv Jhonsa – NVS Brokerage

Okay perfect. And sir you already have an order book of decent couple of quarters across each and every product, at least minimum two quarters ranging to almost say 5 quarters. Just wanted to know – you have already given a guidance of the coming year to be better than FY21. Just wanted to know like what is your internal understanding for say FY23-24 that kind of a thing. Just internal broad understanding. I don't want any guidance. I just want to know your management's perceptions about the market and everything. That is it.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

I have also answered that question that over the next 3 years we see Jindal Saw as a significantly strong market player where not only we will consolidate our leadership position but we would expand our product range by adding stainless. We will get much deeper in OCTG by deepening our relationship with Hunting. So and on top of Aatma Nirbhar. So if you see the Government of India initiative, the tailwind that we have, the strategic initiative that we are taking in terms of expanding, next 3 years you would see Jindal Saw very, very significantly value-added organisation. But remaining focused on the pipe segment. That is a conscious choice that we had taken from lot of non-pipe business. We have started focusing on the core competency which is the pipe business. Now here we are expanding the in all dimensions. We are going deeper. We are expanding our product range and we will expand our capacity as well. So next 2 to 3 years we should see Jindal Saw significantly strong market leader.

Mr. Parthiv Jhonsa – NVS Brokerage

Perfect, perfect. Thank you so much and all the best sir.

Moderator

Thank you. The next question is from the line of Shanti Patel, Individual Investor. Please go ahead.

Mr. Shanti Patel – Individual Investor

Good evening sir. The question is what is our share of market share with respect of various verticals in the organised sector. And second if you can, what is the return on equity and return on capital employed you are expecting as on 31st March 2022.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

First I will have to request you to do your own calculations when it comes to ROE, ROC, because I don't think I would be allowed to make those numbers.

Mr. Shanti Patel – Individual Investor

Not specific numbers. Compared to what was on 31st March 2021, how much...

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Definitely as I tell you, March 2021, March 2022. March 2022 expect as I had caveated if there is no third wave we would be significantly better.

Mr. Shanti Patel – Individual Investor

That is fine. In the market share if you can...

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Okay market share if you are looking at our large dia – large dia we are among the top two players in the country with individual market share of around between 25 and 30. In DI we are the market leader in seamless, in value added segment. Because in seamless in terms of value, we are not the largest. But in terms of per ton or EBITDA, probably we would be there. Stainless we are a new entrant. So at present that market percentage doesn't make sense because every month we are penetrating the market. Every month we are growing the market. So in the top pellet again it is a balancing figure. We have 1.5 million tons capacity. There are specialist steel players who have got much more in capacity. But we have a USP that we are the only mine owned pellet plant in Northern India. So that gives us a significant trade advantage and a captive market. So to reiterate, in large dia market share of 25 to 30, in DI the largest which would be upward of 30-35. The rest as I told you we are not very large in terms of market segment, in terms of percentage of market share, but we have our USPs which make us unique and which make us profitable.

Mr. Shanti Patel – Individual Investor

Thank you sir. Thank you.

Moderator

Thank you. Due to time constraints, I now hand the conference over to Mr. Kumar from Jindal Saw for closing comments.

Mr. Neeraj Kumar – Group CEO, Jindal Saw Limited

Thank you very much. I must thank all the stakeholders, investors, for taking keen interest in us. I am happy, we are relieved, we are happy that over the last quarters now the shareholders, the market has started at least looking at the value that we have created for ourselves. All I would like to assure you that we would continue our effort. We would continue our endeavour to make Jindal Saw the company as I said over the next 2-3 years a significantly strong market leader in the pipe industry. And I would hope that all our stakeholders stay with us, stay happy. And in the end I wish you all, all the best. Stay safe, stay healthy and see you at the end of the half yearly results where we are confident we will give you a good result as well.

End of File